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ABSTRACT

The responses of state colleges and universities to substantial reductions in their appropriations are examined in a one-year study that encompasses experience with fiscal stringency in about a dozen states, primarily in five states. Some key concepts such as "retrenchment," "time," and the differences in statewide organizations for governing and coordinating higher education are defined and six major questions are addressed: What are the immediate responses to retrenchment? Who should participate in establishing procedures and selecting priorities and criteria for retrenchment? What impediments are there on the flexibility required to respond to fiscal stringency and how can these be overcome? What special academic and support criteria and procedures should be used for layoff of personnel? and What are the possible longer term implications of retrenchment? Also discussed, in the context of new styles of administration, are resource allocation, principles and guidelines, and the role of state budget agencies. Case studies reporting the experiences of Florida, Michigan, New Jersey, New York, and Wisconsin are appended. (JMD)

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UNIVERSITY OF CALIFORNIA, BERKELEY

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Under the general title *State Budgeting for Higher Education* the Center is issuing nine publications, each with its own subtitle and authors. The volumes report three separate but interrelated projects carried on from July 1973 to August 1976, funded as follows: one on state fiscal stringency by the Fund for the Improvement of Postsecondary Education (FIPSE), another on state general revenue trends by the Lilly Endowment and the American Council on Education, and the third on selected aspects of state budgetary theory and practice by a joint grant from the National Institute for Education and the Ford Foundation. The principal investigator for all the projects was Lyman A. Glenny; the principal author or authors of each volume carried the major responsibility for it. To varying degrees, all members of the research team contributed to most of the volumes, and their contributions are mentioned in the introduction. This report is the second to be issued in the series.

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Preface

From July 1973 to August 1976 three studies of state budgeting and financing of higher education were conducted by the Center for Research and Development in Higher Education at the University of California, Berkeley.

The present study, sponsored by the Fund for the Improvement of Postsecondary Education (FIPSE), examines how state colleges and universities respond when states make substantial reductions in their appropriations. This one-year study encompasses experience with fiscal stringency in about a dozen states, primarily in the five states presented in the case studies. The latter have been brought up to date as of late spring 1976.

The second study began in July 1973 when the Center for Research and Development in Higher Education undertook a three-year, 50-state study of the processes used by state agencies to formulate the budgets of colleges and universities.

Financial support was furnished jointly by the National Institute of Education (60 percent) and the Ford Foundation (40 percent). The study was endorsed by the following organizations:

American Association of Community and Junior Colleges
American Association of State Colleges and Universities
American Council on Education
Education Commission of the States
National Association of State Budget Officers
National Association of State Universities and Land-Grant Colleges
National Center for Higher Education Management Systems
State Higher Education Executive Officers

Its twofold purpose is to advance budgetary theory and to give state and institutional budget professionals a broader understanding of: 1) the interrelationships, roles, functions, and objectives of the several state agencies in the budgetary process; 2) the congruence or incongruence of such objectives among the several agencies; and 3) the practices and procedures that build confidence in the fairness of the budgetary process.

Reports based on the study describe and analyze the organizational structures and staffing of state-level agencies and the progress of institutional budget requests through these agencies from the time that prebudget submission instructions are first issued by a state agency until appropriations are enacted. The primary emphasis is on the budget review and

analysis process and the procedures used by the state agencies; the study concentrates on the administrative interfaces among the several state agencies that review and analyze budgets and between these agencies and the institutions, or systems of institutions, of higher education.

Intensive interviews, document review, and questionnaires in the 17 states selected formed the basis for a narrative and tabular description and comparison issued in 1975. Less detailed data were collected from 50 states by questionnaire only; these are examined and presented in a second descriptive report.

The other volumes resulting from the three-year study are analytic in nature and focus on the creation and use of budgetary formulas, the cooperation, redundancy, and duplication of effort among the several state agencies that review budgets, the development and use of information systems and analytic techniques, and the dilemmas involved in the design of budget processes, along with a step-by-step analysis of budget progress through the labyrinth of state agencies and processes.

The third study, sponsored by the Lilly Endowment and the American Council on Education, analyzes the trends in state general revenue appropriations for higher education from 1967 to

1975. Refining earlier work at the Center, the study compares trends among the states for the several types of institutions in both appropriated and constant dollars, comparing dollar increases with enrollment trends in each case and also comparing dollars appropriated for higher education with those for elementary and secondary education.

Each volume resulting from the three studies draws on significant findings of the other studies yet stands alone as a complete book. However, awareness of the full panoply of social, political, and economic variables that we found in state budgeting for higher education can be gained by review of all the volumes. We earnestly hope the readers learn as much from our research as we did in conducting it. A complete list of the volumes is found on the back cover of this book.

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1.

Introduction

Retrenchment--a harsh concept and even harsher process--raises crucial questions:

--What are the critical decisions that must be made during retrenchment, and who should make them?

--What are the implications of the criteria and procedures that guide response to expenditure reductions required because of state financial crisis?

--What budgetary and administrative processes are effective in maintaining integrated academic programs under conditions of fiscal stringency?

The procedures and criteria for reducing expenditures are of immediate practical concern to state and institutional officials and budget professionals. Of more crucial importance, retrenchment presents in cameo form major problems with which higher education must grapple over the next two decades. Which academic programs will be given priority in the face of fiscal stringency or enrollment decline, or both? Where real resources are constant or declining, what incentives for change can be

devised to meet new student and research demands? Few states and campuses will escape the trauma of adjusting academic programs to reduced funding, and short-term adjustments will almost inevitably influence the resolution of longer-term issues.

This report assumes the necessity for fiscal retrenchment by state governments. Arguably, a state could maintain revenues by increasing taxes. But budgeting is an intensely political activity, and when increased taxes are not a real option, retrenchment is the only feasible solution.

This is not a primer on cutting higher education budgets. Its guidelines are not primarily related to the enormously complex and diverse practices by which states fund higher education. We are as much--perhaps more--concerned with academic decisions as with budgetary ones, if indeed the two can be separated. It is not difficult to spend less money, if such is the sole objective. But to spend less money and at the same time maintain progress toward educational objectives requires the highest order of state and institutional leadership and administrative skills. Each state and each institution provide the detailed budgetary context in which these skills must be exercised. Nothing in this report should be construed to imply either that higher education budgets should be reduced, or should the fiscal

exigencies of a particular state so require, that specific reductions be made.

The present one-year project began in July 1975 with the selection as consultants of institutional administrators in six states. Over the summer, each provided an account of retrenchment activity in his particular state, together with supporting and illustrative documentation. These accounts, revised into a relatively standard case study format, were discussed in early October 1975 when the consultants met as a technical advisory panel to explore possible generalizations from their individual experiences.

The five case studies, along with notes written by the consultants which update events to spring 1976, are appended to this report. The text and guidelines are drawn from them and from opinions about them. We do not point out specific deficiencies in the procedures, and this apparently uncritical attitude was questioned by a reviewer. Perhaps it suffices to say that the systems and institutions discussed were among the first to suffer from retrenchment: They are now well aware of their mistakes, and the positive guidelines drawn from their experience can help others to avoid error.

A draft report was prepared after the October 1975 meeting, and in January 1976 a policy review panel met to criticize this draft. The panel consisted of the original consultants and five other senior higher education administrators. Both for evaluation and for a broader range of experience, the draft and a short questionnaire were sent to state executive budget offices in all 50 states and to state higher education agency heads in the 42 states that did not participate through the panels. Responses were received from 51 agencies located in 39 states. In 12 states both the state budget office and the higher education agency responded. In 11 states, responses were received only from the state budget office, and in 16 states only the higher education agency responded. Differences among state higher education agencies in their authority to coordinate and sometimes govern institutions is discussed briefly later in this report.

Comments from the advisory panel members and from responses to the questionnaires are quoted throughout the text in italics, and are identified by source: "Panel," "State higher education agency," "State budget office."

The report was initially intended to be primarily descriptive, emphasizing current activity only in the states

represented on the two panels. But as the experience and opinions covered by the panels and reviewers broadened, it became apparent that prescription rather than description would be more useful to the prospective audience. While some of those who reviewed earlier drafts were clearly interested in "what works" during the first years of retrenchment, most were concerned with the impact over the longer term. Both needs are real, but "what works" in the short term is enmeshed almost beyond useful generalization in the unique and complex structures and processes of state budgeting, coordination, and governance. Over the longer term, these differences become less critical; the major objectives of higher education and state budgeting will survive changes in structure and process. Moreover, the real proof of "what works" today is its impact on the future.

Because the future, unfortunately, cannot be predicted by current budgetary and educational theory, this report relies on the counsel of the experienced state and institutional administrators with whom we consulted and who responded to our questionnaire. While in some instances their opinions are tempered with our own, and by data and experience from our related studies of state budgeting, these senior administrators and budget professionals are more likely to be right than wrong in assessing the longer-term impact of higher education's current responses

to fiscal stringency. The urgency and importance of the issues demand that guidance be attempted and that the risks inherent in providing it be accepted.

2.

Overview

Response to fiscal stringency occurs over time and in the context of highly diverse state governments and systems of public higher education. The context requires an attempt to define "retrenchment," to point out the importance of time, and to indicate the differences among governing and coordinating agencies.

DEFINITIONS

Over the centuries lawyers have developed "terms of art" that allow them to communicate--at least among themselves--with a precision not accessible to educational and budget professionals. Within states and among them, terms such as "student," "instructional expenditures," and "budgetary savings" convey widely differing meanings. "Retrenchment" is new to the lexicon, but it too lacks a precise definition. In this report, retrenchment can mean either of the following:

--Midyear or midbiennium cutbacks required when the state finds its revenues insufficient to cover authorized budget levels.

--Major reductions in budget requests during the final stages of budget development, usually after the governor's budget has been submitted and during legislative consideration of requests. Even if such a reduction is not "absolute" in terms of the prior year's appropriation, a substantial reduction in expectations can have almost as drastic an impact.

In these situations, a particular year and event identify a specific crisis to which higher education must respond. Our discussion and recommendations are equally relevant to states and institutions where the cumulative erosion of state financial support over a period of years is less dramatic. Indeed, a major theme of this report is that crises situations such as that reported in the New Jersey case study are not isolated events. As Chancellor Dungan of the New Jersey Board of Higher Education states, "Many people in higher education do not have any real sense of the fiscal thin ice on which they are skating."

Retrenchment should be distinguished from other terms:

--*Fiscal stringency* is the cause of retrenchment, and itself has a variety of causes, e.g., inelastic tax structures in New Jersey and Florida, changing state priorities in Wisconsin, or New York City's fiscal and cash flow crisis.

--*Reallocation* is a budgetary event like retrenchment, but it is generally the immediate result of retrenchment. Colleges and universities have reallocated resources in the past to adjust to changing academic priorities, but retrenchment has an urgency that does not allow dependence on gentle attrition and circumstance.

Fiscal stringency causes the state to institute retrenchment either in the form of a midyear cutback or an untimely and substantial reduction in budget requests. Retrenchment requires reallocation of resources, and is an event in the transition from a period of phenomenal growth in higher education to one of relative stability, whether measured by enrollment or financial support. Of the 39 states that responded to our questionnaire in spring 1976, 20 reported neither a midyear cutback nor an untimely reduction in budget requests. At least at the statewide level, the transition from growth to stability may take place in these states without retrenchment. On the other hand, preparation for planned reallocation will be required even in these states, for "the period of cooling out after rapid growth . . . is functionally similar to absolute retrenchment" (Balderston, 1974, p. 263).

TIME

Time is a critical dimension. Faculty and administrators are rarely psychologically prepared for actual reduction in support or even stabilization, and few are fully aware of the hard

educational policy decisions that reduction entails. It is essential that the first sign of possible retrenchment--probably a midyear cutback--be taken seriously. *A midyear* cutback almost always has a direct impact on subsequent budgets. As the Michigan case study clearly shows, a midyear reduction can directly, even if tacitly, determine the budget base for the following year; the impact will usually extend even to the succeeding year's developing request.

The fiscal results of a midyear cutback can be traced into the budgets of the next two years, for these budgets are being developed at the time of retrenchment. The impact on academic programs is usually less clear. A student who is a freshman when a midyear cutback is made will be taking courses as a senior three years later; while his courses and program may depend on how his campus responded to earlier years' funding, the budget process alone will not reflect this continuity. Aside from the still tentative prospect for four-year fiscal planning in Wisconsin, a biennial budget probably represents the limit of fiscal planning in most states. If budget practice does not reach beyond the coming year, academic planning must.

Campuses and the agencies that govern and coordinate them must take advantage of all the lead time available to

prepare for reallocation of resources. Procedures and attitudes developed during a period of growth leave states and institutions ill prepared for retrenchment: Budget formulas assumed growth (Boutwell, 1973); one year's budgeting errors were corrected by the next year's enrollment growth (Maier & Kolka, 1973, p. 434); and institutions were reluctant to examine priorities among existing programs (Lee & Bowen, 1975, p. 45).

> *Emphasize as a lesson to others that they must think of retrenchment as being long-term.*
>
> *--Panel*

GOVERNANCE AND COORDINATION

A second crucial dimension is the statewide organization for governing and coordinating higher education. Almost endless variations in structure and authority are imposed on, devised for, or tolerated across the 47 states with such agencies.

> *Circumstances and boundary conditions are sufficiently different among coordinating agencies that only when action must be taken will a report like this be noted, and then probably only for information.*
>
> *--State higher education agency*

> *A consolidated governing board clearly has wider options in responding to retrenchment than this coordinating agency--e.g., relocating faculty across campuses in this state would be very difficult.*
>
> *--Panel*

Three general types of agencies, oversimplified for this report, can be identified by the extent of their formal authority:

--Strong coordination is usually represented by the *single consolidated governing board* that both governs and coordinates all four-year institutions in a state, for example, the University of Wisconsin System. But in other states--perhaps Kansas or Mississippi--agencies with relatively similar, formal structures do not exercise similarly strong authority.

--Moderately strong coordination is accomplished by a *regulatory coordinating agency* which has specific statutory authority over budgets, planning, academic programs, or one or more of these. While the strength of coordination obviously depends on specific statutes, it also depends on the acceptance of the agency's authority by the governor, legislature, and institutions. The Board of Higher Education in Illinois is an example of a strong board. An example of a weak regulatory board is that in Massachusetts.

--Relatively weak coordination is usually represented by an *advisory coordinating agency*, which has only the power to make recommendations and may lack any budgetary responsibility. Here again, strength depends on the credibility of the board with state agencies and the institutions. An advisory agency may be quite strong, as in Washington, or it may be weak, as in New Hampshire.

A single consolidated governing board has more options available to meet the short-term demands of retrenchment than does either a regulatory or an advisory coordinating agency. Responses to our questionnaire indicate that the probability of a state budget office relying on a state higher education agency for

allocation of reductions among campuses and programs is dependent on the authority of the latter.

Probable Reliance on State Higher Education Agency for Allocation of Reductions among Campuses and Academic Programs by State and by Type of Coordination

Coordination[a]	Yes	No	Other	Total
Single board	84% (11)	8% (1)	8%[b] (1)	100% (13)
Regulatory coordination	56% (9)	38% (6)	6%[b] (1)	100% (16)
Advisory coordination	38% (3)	62% (5)	- -	100% (8)
Other	- -	- -	100%[c] (2)	100% (2)
Total	59% (23)	31% (12)	10% (4)	100% (39)

[a]Classifications derived from *The States and Higher Education* (Carnegie Foundation, 1976). A somewhat different classification appears in the earlier descriptive report in this present series (Glenny et al., 1975a).

[b]No response.

[c]Question not applicable.

The formal authority of a strong agency is an advantage in the short run, but, over the longer term, adjustments must be phased over a period of years, and effective response will depend at least as much upon the credibility which the agency has in its

particular state as upon its statutory powers (Berdahl, 1975, pp. 4-5).

> *When reductions have to be made, I think that a coordinating agency can influence differential decreases just as much as a consolidated board.*
>
> *--Panel*

Formal authority is important, but it cannot substitute for foresight and leadership at the statewide level. The comment of an institutional officer on a draft of the present report speaks of the need:

> The problem of fiscal stringency in . . . [this state] is somewhat unique. The state executive office, the legislature, and the individual institutions deal with the problem independently without a visible connecting link. Valid communication among these three groups is sadly deficient. There is, in my opinion a pressing need for better higher education coordination and planning.

The term "state higher education agency" will be used in this report wherever it appears equally applicable to the differing structures. In other instances, the type of coordination--single board, regulatory coordinating, advisory coordinating--will be clearly identified.

3.

Six Questions About Retrenchment

At least six major questions must be answered in every state where fiscal stringency imposes retrenchment:

1. What are the immediate responses to retrenchment? How selective can they be?
2. Who should participate in establishing procedures and selecting priorities and criteria for retrenchment?
3. What impediments are there are on the flexibility required to respond to fiscal stringency? How can these be overcome?
4. What special academic and support programs should receive particular attention during retrenchment?
5. What criteria and procedures should be used for layoff of personnel during retrenchment?
6. What are the possible longer term implications of retrenchment?

Most state and institutional administrators and budget professionals will agree with the importance of questions, but they may find the answers less than adequate at first reading. The answers are general in terms of principles, perspectives, and

attitudes. However desirable, a compact set of detailed guidelines is not possible: The states, their colleges, universities, and budgeting practices, are incredibly diverse. So, in more subtle ways, are the varieties of financial distress among the states (U.S. Congress, 1975) and institutions (Balderston, 1974, pp. 178-198).

The questions cannot be answered in isolation from the other factors that suggest that retrenchment is likely to have a lasting impact beyond the current fiscal stringency that has given rise to it. Current retrenchment coincides with important although otherwise unrelated developments. First, the projected stabilization or decline in absolute enrollments in the 1980s will require more informed reallocation of existing resources than in the past. Fiscal stringency has accelerated the institutional need to examine allocation procedures, and, in many instances, has brought these to the attention of state agencies. Second, as a residue of program budgeting efforts and enrollment trends, state-level interest in outputs of education and in measures of program quality is increasing. Review of existing programs may not have been initiated because of fiscal pressure, but retrenchment gives such review added urgency. Third, information systems have been increasing in sophistication and scope. Statewide agencies may now have access to information about

courses and programs that was not routinely available to deans a few years ago. Fourth, state executive and legislative staffs have been growing in number and competence. Governors and legislative committees who feel the need to be involved in budgetary details will probably have the staff capacity to give depth to their involvement (Glenny et al., 1975a, pp. 11-17).

The answers below attempt to accommodate this changing context, and are based on the experience and judgment of senior budget professionals and higher education administrators who have had to answer them.

1. WHAT ARE THE IMMEDIATE RESPONSES TO RETRENCHMENT? HOW SELECTIVE CAN THEY BE?

Response to retrenchment will vary depending on when cuts are made. With adequate warning, response may--and should--be selective; when retrenchment occurs at the midpoint of an academic year, an across-the-board allocation of reductions is usual.[1]

---

[1] "Across-the-board" reductions allocate cutbacks proportionately across subordinate units; "selective" reductions allocate reductions differentially. Characterization of reductions may differ by organizational level, and be in part across-the-board and in part selective at a particular level. Line-item budgetary restrictions may apply in either type of reduction. Frederick Balderston (1974, pp. 222-227) has contrasted these types of budgetary adjustments in the context of institutional management.

In the short run, there are severe limits on higher education's possible responses. If the cutback comes in midyear, as it did in Florida, Michigan, and New York City, academic programs are in place, current personnel are protected by provisions of tenure and collective bargaining, and students rely on the continuity of their courses. Although vacant positions can be allowed to remain so, the bulk of the reduction must be borne by nonpersonnel areas.

The first reactions to a midyear cutback are rational yet open to criticism. State systems and campuses attempt to maintain relative resource patterns by distributing the pain of budget reduction--or most of it--across the board to subordinate units. Selective reductions by subordinate units are usually expected, and procedures and guidelines usually speak of academic goals and institutional missions. Few directives, however, relate general goals and missions to specific academic programs.

During the first year of retrenchment, out-of-state travel is curtailed, classrooms are less well heated, fewer library books are acquired, some building maintenance is neglected, and vacant positions are left open. The faculty, vaguely aware of retrenchment, continue to instruct the same classes in the same way as before. A critical observer might well ask for evidence

that someone had made educational decisions based on academic priorities. The evidence may be there, if the administration has convinced the faculty that times have changed. Broadly based "crisis" committees or task forces may well constitute such evidence. Creating faculty awareness of the realities of fiscal stringency is probably the major task during the first, traumatic months, but doing so must not alienate faculty to the extent that creative response over a longer term is impossible.

These initial retrenchment measures parallel those reported in a recent survey of 96 institutional members (257 campuses) of the National Association of State Universities and Land-Grant Colleges (Phillips, 1975). Virtually all had attempted to reduce utility costs. About half reported that they had deferred maintenance in 1974-75 and would continue this into 1975-76. Reported limitations on travel, on the purchase of supplies and equipment, and on telephone expense confirm other findings (Cheit, 1971, 1973). In our own study, library books and services appear to be early victims of retrenchment, but otherwise the survey findings are applicable to a wide spectrum of institutions.

> *Sudden withdrawal of funds forces savings in areas such as plant maintenance and library acquisitions that become costly when the "catch-up" period arrives.*
>
> *--State higher education agency*

In the case studies, initial reductions were generally made across the board by statewide or multicampus systems in response to similar reductions mandated across all agencies by the state--usually by an executive order of the governor. In some instances, across-the-board reductions were made even though it was known that the fiscal stringency would continue beyond the current year--in the City University of New York in 1974-75, for example. Across-the-board cuts (as opposed to selective and programmatic ones) are a practical and probably more appropriate initial response for at least four reasons:

--Only limited choices are available within the narrow area of nonpersonnel expenditures. Campuses should be in a better position than a larger unit would be to choose between, for example, the deferral of maintenance and the delay of equipment purchases. Differing campus responses in the State University System of Florida are cases in point.

--An across-the-board reduction is a public affirmation that all institutions and individuals are sharing distress equally. An across-the-board reduction buys time for adjustment--psychological and organizational--to the new state of affairs.

--Information on which to base immediate *and* selective reductions may not be available. In one state, an initial across-the-board reduction was severely criticized by state officials who suggested that the higher education leaders were "taking the easy way out." In fact, because of a recent reorganization, no other decision was possible since comparative information on which to base selective cuts was lacking.

--There is always the possibility that state support will return to previous levels. A hasty judgment that a particular program bear more than its proportionate share of the overall reduction might cause unnecessary harm.

Across-the-board cuts may be inevitable because of shortness of time. They may be desirable because of morale. Unfortunately, in most instances they are the only alternative because of lack of foresight. Even where academic plans exist, they rarely anticipate any other future than one of growth.

In an across-the-board reduction there are, of course, risks to giving subordinate units substantial discretion; deferral of maintenance, for example, may cause disproportionately greater maintenance expenditures in later years (Phillips, 1975, p. 25). And, if retrenchment continues, restrictions on locally selected criteria may have to be imposed: The University of Michigan required central consultation on cuts in nonpersonnel accounts.

If we had been wiser, we would have directed campuses to allocate sufficient funds to fixed costs items such as utilities and other non-personnel areas.

--Panel

If there is any state or statewide system which has a procedure which will prevent campuses from preserving personnel positions

by cutting into support costs such as equipment replacement, I certainly do not know about it.

--Panel

One or two institutions have tried to save tenured faculty by dropping support staff, lab assistants, library personnel, and supplies and equipment. They will be doubly in the hole next year.

--State higher education agency

Although across-the-board reductions may at times appear to be the most appropriate or the only available initial response to retrenchment, they assume that all subordinate units are equally able to bear their share. But only by accident would this be the case. State policy could require the continuing support of a particular campus under a desegregation agreement, as in the State University System of Florida. Even though statewide enrollment and support may have been growing, enrollment declines at a particular campus may have required earlier economy measures not required of others. Such was the case in the 1975-77 allocations in the University of Wisconsin System.

Across-the-board reductions cannot be used when a particular aspect of administration is under formal statewide or systemwide control, and they should not be used when an activity is so visible or important that the governing board or central staff, or both must assume "a" or "the" major role. An increase

in tuition is an example of the first; and reorganization or consolidation of academic programs across campuses or, in some instances, the imposition of higher faculty workload requirements, are examples of the second. Examples of these situations are found in the 1975-76 procedures of the City University of New York.

Although an across-the-board reduction may leave subordinate units with relatively unfettered discretion within that reduction, directives usually contain specific suggestions for implementation. Although these may be merely "helpful hints" from the policy level, they can serve two other purposes:

--They may lend needed support to the administrators or faculty committees who have the burden of making operational decisions at the subordinate level.

--They alert all faculty and administrators to the numerous implications of retrenchment and, as such, can be another method of creating realistic attitudes toward it.

Possible criteria or bases for apportioning an across-the-board reduction are few, and the choice among them appears to be determined by current funding procedures. The formulas used to generate campus budgets in New Jersey and Florida were the same formulas used to reduce them. Where formulas play a lesser role, as in the City University of New York or the University of Michigan, appropriations or budgets are the basis of apportionment.

Formula-budgeting procedures traditionally assume enrollment growth and increasing state support. They offer inappropriate incentives for a period of decline or stability. If a particular campus has experienced recent enrollment declines, reductions based on average instructional costs may be greater than possible savings in marginal costs (Boutwell, 1973). Nevertheless, for an initial reduction the use of formulas is probably inevitable because of the limited time available and because of the orientation of available information. Moreover, a formula is a known measure of equity among budgetary units.

> *Across-the-board cuts by formulas will not deal with the numerous detailed changes in the underlying factors that make up FTE and headcount figures--e.g., imbalances will result from the greater number of headcount students per FTE in urban as opposed to rural areas.*
>
> *--State budget office*

> *Enrollment-driven formulas were abandoned a few years ago in this state, and it was a wise decision.*
>
> *--Panel*

> *From my experience, I strongly suggest that state agencies reexamine the validity, appropriateness, and probable impact of enrollment driven formulas in the light of stable or declining resources and enrollment.*
>
> *--Panel*

> *More attention needs to be given in formulas to the "irreducible minimum" or core budgeting needs of campuses and to the factors (size, age of programs, mix of students, size and nature of facilities, etc.) that influence minimum needs.*
>
> *--Panel*

Some programs that were least able to absorb personnel reductions were forced to retrench the most because of insufficient consideration of existing faculty/student ratios, shifts in enrollment, and workload indices.

--State budget office

Reliance on a formula for internal allocation that assumes continuing state support at approximately the formula-generated level should not extend beyond the initial response to retrenchment. When funds are relatively plentiful, it may not be necessary to distinguish, for example, among campuses that have similar full-time-equivalent enrollments but substantially different numbers of actual (headcount) students; precision is required as funds become restricted.

Once the state starts to cut, the timing is such that there is virtually no time to plan a comprehensive response. Even now, after almost two years, we still do not have a very good understanding of the real impact on the educational viability of the campuses.

--Panel

One mistake which we made during retrenchment was to keep thinking of the short-term problems and not finding time to analyze the longer-term implications of what we were doing.

--Panel

Most institutions made across-the-board cuts to take care of cutbacks. I think this was bad, but this agency had no authority in the matter.

--State higher education agency

Across-the-board cuts may be justified or unavoidable when retrenchment strikes without warning and must be implemented without delay, but there seems to be no excuse for making across-the-board cuts when ample warning has been given. A midyear reduction is a clear signal that additional cuts will be required. In times of relative stability, the absence of specific academic program priorities is to be deplored, but it may not be fatal. In times of fiscal stringency, such priorities must be developed as an operational basis for selective reductions.

2. WHO SHOULD PARTICIPATE IN ESTABLISHING PROCEDURES AND SELECTING PRIORITIES AND CRITERIA FOR RETRENCHMENT?

The key resource of colleges and universities is people, and one of the earliest efforts in retrenchment must be to involve as many of them as possible. Extensive participation by faculty in higher education governance is not new, nor are the almost infinite variety of administrative committees and councils. Retrenchment reinforces traditional reasons for these extensive consultative processes.

--*Wide participation is often the only means to keep people informed in a rapidly moving situation.* As the case studies show, state executive and legislative directives often follow one another in rapid succession, are usually written in haste, and require quick response. Those who must implement directives can do so only if they are

privy to their inevitable ambiguities, the resolution of these on an ongoing basis, and their cumulative effects.

--*Selection and application of criteria and procedures are different during retrenchment than during periods of growth.* During growth, new programs are proposed by subordinate units with campus approval, and appear in an orderly fashion, one at a time, in accordance with established criteria. A state higher education agency or multi-campus system, often with outside faculty advice, can judge whether adequate resources exist and whether the program is appropriate for a particular unit. In contrast, retrenchment imperils virtually all existing programs at the same time. At the outset, prescribed or orderly procedures for assessing existing programs may not exist, and, not surprisingly, subordinate units are unlikely to volunteer their own programs for reduced support. An informed central staff can bring a broader perspective to the evaluation of existing programs, but only campus faculty may have the knowledge to balance the quality of these programs against others in the same unit. Evaluation must have the direct knowledge and concern of those most intimately involved.

--*Retrenchment requires a wider range of people than usually participate in academic programming and budgeting.* Perhaps more accurately, retrenchment may reveal needs for representation that have not been met in the past. During growth, economists, business administrators, and professional educators assume a leading role. During retrenchment, administrators and particularly faculty representing the less quantitative disciplines must have a voice, both to protect disciplines that may be currently out of favor and to use their own professional specializations. Careful consideration of academic program priorities and educational policy objectives demands more than the ability to manipulate numbers. Retrenchment cuts to the heart of the educational enterprise, and dedication to less quantifiable objectives and to individuals as individuals must continually be made explicit (see Mosher, 1969, pp. 161-162).

At the state level, wide participation in discussion of retrenchment procedures has enabled us to reach a general consensus which helps keep decisions within higher education and out of the political arena.

--Panel

Not only will broader participation increase the probability of good decisions, but it will also increase the probability that fiscal stringency will be understood and measures to respond to it accepted by the participants.

--Panel

The case studies reveal both the variety and extent of faculty participation. At the University of Michigan, an existing consultative body, a budget priorities committee chaired by a faculty member, was pressed into service during the 1974-75 midyear cutback. In the City University of New York the advice of the governing board urging wide consultation was followed, and the apparent success of initial economy measures in 1975-76 is attributed to this.

Under procedures for faculty reassignment or layoff in the City University of New York, campuses are required to establish special retrenchment committees to review implementation of cutbacks. The regulations of the University of Wisconsin place selection of faculty for layoff, reassignment, or relocation directly in the hands of departmental faculty, who operate under system and campus guidelines. A campus in the State University

System of Florida established a broadly based task force to identify, review, and recommend specific policies and proposals for a 1975-76 contingency budget. Again in Florida, an exception to initial, systemwide travel restrictions accommodated the need for interinstitutional councils (e.g., the system faculty senate) to meet as conditions changed.

There are unavoidable risks to participation. In the State University System of Florida, an administrative council of campus executives may have delayed orderly implementation of retrenchment procedures for fear of unnecessarily alarming faculty. In the University of Wisconsin, faculty at a few campuses refused to participate in selecting faculty for layoffs. An extreme example of recalcitrance is found at the State University System of New York (Wakshull, 1975):

> The British Commander in the film "Bridge over the River Kwai" . . . ended up doing a better job of building the bridge than his enemy. He aided and abetted the enemy in time of war. . . . And we have faculty and staff members eager to serve on retrenchment committees, ready to do the dirty work of management. . . . Let management do its own dirty work. Firing or laying off people is their business and they are paid to do it. Let them take the consequences and not hide behind faculty committees.

Our study does not indicate that this point of view is a common one. Ladd and Lipset (1976) have found that faculty members are willing to protect teaching "above all other aspects of higher education if cuts must be made" (p. 7). "Firing or laying off people" is indeed "dirty work," and "management" must bear the ultimate responsibility. But faculty retain the major--almost the sole--responsibility for education, and they cannot be allowed to abdicate this responsibility. Deliberate and conscientious efforts must be made to foster attitudes and perspectives that assure faculty participation. Structuring such a participatory role must conform to the history and organization of institutions in particular states, and will rarely be an easy task. As one senior administrator stated, although faculty are in the best position to know what should be done, they are in the worst position to act on their knowledge.

3. WHAT IMPEDIMENTS ARE THERE ON THE FLEXIBILITY REQUIRED TO RESPOND TO FISCAL STRINGENCY? HOW CAN THESE BE OVERCOME?

Flexibility is essential if the response to fiscal stringency is to be effective. If the principal actors can select targets for reduction or redistribute resources among programs or campuses, or both, higher education can remain a viable and dynamic enterprise. The mere existence of flexibility will not assure its creative use, but without flexibility the

enterprise will stagnate. We do not agree with James March (1974, p. 133) that higher education is a "declining industry" characterized by "indifference, passivity, and stagnation." This danger does exist, however, if statewide and institutional leaders do not have the freedom to adjust and rearrange academic programs to meet social and economic changes. If they do not, higher education's response to retrenchment will be a crazy quilt of activity outlined by standard budgetary categories and filled in by the happenstance of tenure and seniority.

> *It is important to keep flexible by not permanently committing resources and by keeping a pool of non-tenured appointments.*
> *--Panel*

We do not intend to add to the wealth of existing literature on the nature and value of institutional autonomy. We are in complete agreement with the goals of institutional independence and local initiative expressed by the National Commission on the Financing of Postsecondary Education (1973, p. 57) and by The Carnegie Foundation (1975, pp. 130-132). Our more modest aim is the exploration of the specific major limitations on higher education's flexibility during fiscal crises.

For the most part, few *new* limits on flexibility arise from retrenchment. Dollars and state policy have always placed an upper limit on academic aspirations. State and statewide agencies and multicampus systems have always imposed budgetary controls. The academic establishment has imposed its own rules for tenure and compensation. Whether entirely satisfactory to the educational community or not, these boundaries and conditions have been broad enough to permit higher education to prosper when funds were relatively plentiful. Fiscal stringency highlights these conditions and may create a case for their modification, but it has not created them.

The problems raised simply by not having enough money were well summarized by an institutional budget officer: "Flexibility doesn't mean a thing, if you don't have anything to flex." We suspect that most complaints--justified or otherwise--of departments about schools, of schools about campuses, of campuses about systems, of systems about state higher education agencies, and of the latter about governors and legislatures, are founded on lack of resources, not on limitations of the use of funds that remain available. In any case, shortage of funds does require some explicit restrictions on subordinate units.

These explicit restrictions are an immediate response to retrenchment. They reach into areas where institutions have the most discretion in funding. Travel is restricted, sabbatical leaves are more stringently reviewed, purchases of supplies and equipment are delayed, and salaries may be frozen. Restrictions of this type limit flexibility and, if severe enough or continued long enough, could have a disastrous effect on education. While these emergency measures are modified as the dust settles, their implications for the longer term are more subtle.

--Restrictions can broaden existing differences among organizational levels--the campus, the multicampus system, and the state higher education agency. "They" failed to obtain proper support for "us," and now "they" are imposing restrictions on "us." If this cannot be entirely avoided, substantial participation by faculty and administrators from all levels can keep it within reasonable bounds.

--The widespread impact and high visibility of initial response may distract attention from both the current and longer-term programmatic implications of fiscal stringency. Concerned investigation of relative priorities of academic programs should begin as soon as the least probability arises that all programs can no longer be funded at preexisting levels. Without discounting the very real personal impact of these immediate measures--a salary freeze, in particular--care should be taken to emphasize the longer-term perspective. Unless this perspective is maintained, small, weak, newly undertaken, or experimental programs can be crippled, not by design but by oversight, and institutional flexibility may be irretrievably lost.

Lack of funds also makes it more probable that program adjustment may be impeded by routine rules and regulations--both those imposed by the state and by higher education itself.

State Rules and Budgetary Procedures

State agencies (at least those in the states in this study) rarely take a direct hand in the internal reallocation of higher education support. In one instance, however, a state budget office did propose detailed internal adjustments. After the institution had accomplished the reductions in another fashion, the budget office revived its earlier proposal to justify an additional reduction.

> *It seems fortunate that in [this state] specific retrenchment decisions are left to the individual institutions. . . . I have the feeling that program quality and integrity will be key criteria at the local level. I think this is good.*
>
> *--State higher education agency*

> *[Where a coordinating board exists] . . . they should be given total dollars and charged with allocation.*
>
> *--State budget office*

> *I would think that a degree of centralization is essential for prudent reallocation among campuses, even though state level allocations of internal campus budgets are likely to be harmful.*
>
> *--Panel*

General parameters for reduction need to be set at the statewide level, but implementation of policy must remain in the hands of the institution and its faculty, administration, and students.

--State higher education agency

Specific limitations imposed by the state (e.g., travel expense, salary controls) are usually applicable to all state agencies, and do not restrict the flexibility of higher education more than that of other state services. And in Illinois, higher education was not subject to line-item reductions, as were other agencies.

The most significant limitation on our ability to respond to retrenchment is the appropriation to specific campuses--one campus had $500,000 in excess funds which could not be used to relieve another.

--Panel

It would be most difficult to respond to midyear cutbacks without adjustments to line items. Current limitations on transfers to two percent of total appropriations is too restricting.

--Panel

Despite designation of state budget formats as "program budgets," line items continue as appropriation categories and control points. The line-item format can limit flexibility particularly in a midyear cutback, since earlier expenditures

have reduced the margin for discretion. Line-item budgets were used in several states in the present study but were a possible issue only in two: Florida and New Jersey. In the only example of actual restriction, the executive budget office in Florida denied a requested transfer of funds during the 1974-75 cutback. The State University System of Florida could itself approve transfers of up to 5 percent from one line item to another, but executive budget office approval was required for transfers in excess of that amount. The executive budget office refused a requested transfer of funds from the salary appropriation line to "Other Personal Services"; the transferred funds would have been used to pay teaching assistants and the executive budget office did not believe this was necessary to achieve the needed reduction. Other transfers appear to have been approved, however, and the line-item appropriation format was abandoned for 1975-76 at the urging of the State University System. The experience in New Jersey with the executive budget office was similar: For 1975-76 the state higher education agency obtained advance agreement from the executive budget office that institutional response to funding reductions would not be inhibited by line-item controls.

> *The legislature has recognized the needs of the campuses for greater flexibility by allowing inter-program transfers.*
>
> *--Panel*

Relaxation of state-imposed line-item restrictions increases the possibility of effective response to retrenchment: State systems and institutions can focus primary attention on programs instead of on relatively arbitrary budget categories. This does not mean that accountability is no longer required; the responsibility remains, and it usually cannot be met simply by adopting prior state bookkeeping procedures. Retrenchment presents an opportunity for higher education to free itself from the time-consuming and sometimes trivial activities associated with traditional line-item budgets. But it also presents a challenge to devise adequate procedures.

Salary matters may best illustrate how the combination of inflation and recession can limit flexibility. Recession and consequent revenue shortfalls reduce the overall fund within which discretion can be exercised. Inflation gives rise to reasonable and vocal demands that salary increases be across the board to meet increased individual living costs. In some states--Wisconsin, for example--appropriations may limit discretion by earmarking a major portion of salary increments for across-the-board adjustment.

Even if an institution can meet actual cost-of-living increases without hindrance by state budgetary or personnel

restrictions, the funds must come from other areas. In Michigan, 1974-75 appropriations reflected the state policy of providing higher education with about a 6 percent increase. The University of Michigan distributed an average 7 percent increase to academic units, but could do so only at the expense of other activities or adjustments in fund sources.

If state controls over positions are seen as necessary, they should be carefully administered to enhance flexibility, not inhibit it. Such controls should apply to aggregations of subordinate units to permit the most effective use of personnel. For example, the University of California controls positions although it is not under state mandate to do so. Using such control, both the systemwide offices and the campuses maintain centrally controlled funds for temporary faculty positions that are considered a major source of flexibility (University of California, 1975, p. 35).

> *State-imposed faculty position or salary controls tend to lock in historic patterns when changes are usually needed to maximize the use of available dollars.*
>
> *--Panel*

In some states, "budgetary savings" or "salary savings" reflect institutional inability to use all appropriated funds

because of delays in recruiting, resignations, or other factors. Anthony Morgan (1975, p. 43) found that "state officials may raise the savings requirement during the course of a fiscal year to compensate for a difficult revenue situation." Although a recognized economy measure during normal times, increased savings requirements do not appear to be major state measures to achieve the more drastic reductions dictated by retrenchment. This is fortunate, for unrealistically high "budgetary savings" would not only severely limit flexibility but would also distort existing and usually hard-won agreements, and a return to savings targets reflecting actual experience would be more difficult.

Expressions of legislative intent in or in conjunction with an appropriations bill can limit flexibility during retrenchment just as at other times. Their use is sometimes questionable. In Florida six of the nine general campuses responded to the 1974-75 midyear cutback by using some qualified administrators for instruction. (At the City University of New York, the governing board included such a device, among others, as a way for its campuses to meet 1975-76 cutbacks.) However, for 1975-76 in Florida, the appropriation contained the following language (Florida State Legislature, 1975):

> The Board of Regents shall thoroughly examine the procedures being used to administer the universities and shall effect changes in those procedures to achieve . . . the maximum possible involvement of academically qualified administrators in the teaching process, even if on a part-time basis.

Administrators are always fair game for reductions. A union leader at the City University of New York pointed to what he saw as the "proliferation of deans who seem to be immune from budget cuts" ("City University Rethinks Goals," 1975). But the difference between "administrative deadwood" and "analytic and managerial capacity" is one of perspective. Administrative manpower is demanded as state and federal interest in "accountability" imposes a growing burden of reporting on affirmative action, equal employment, program costs, and a myriad of other activities.

Legislative interest in administrative costs is reasonable but it hardly merits special mention in an appropriations bill, particularly when, as in Florida, the educational community already had the matter under active consideration.

Institutional Rules, Regulations, and Procedures

Statewide higher education agencies and multicampus systems impose their own regulations on campuses, and the latter

impose additional rules for schools and departments. While institutions can modify these to cope with fiscal emergency, they may be reluctant to do so.

A major limitation on changing internal rules arises from the expectations of those to whom the rules apply. If, as in Florida or New Jersey, a budgetary formula is accepted as an equitable means of allocating resources, it has legitimacy as a framework for budgetary decisions. This will be true even though changed conditions--e.g., abandonment of the formula by state agencies--might suggest revising allocation procedures. The constraint imposed by expectations is very real and is one basis for the almost universal response to the initial impact of retrenchment of an across-the-board cut, or one determined by formula. While widely publicized, such cuts are often adjusted over time to accommodate the specific needs of subordinate units--and with little or no publicity.

For somewhat similar reasons, there is reluctance to alter other procedures such as those relating to sabbatical leaves, research leaves, or released time for counseling or program development. These procedures may be fixed in legally binding employment contracts. But they also represent faculty expectations, nationally as well as in the particular state. Fiscal stringency

has not yet become so widespread that a system or institution can endanger its image by ignoring these expectations.

4. WHAT SPECIAL ACADEMIC AND SUPPORT PROGRAMS SHOULD RECEIVE PARTICULAR ATTENTION DURING RETRENCHMENT?

While retrenchment requires critical assessment of each academic program and supporting activity for its contribution to institutional objectives, three programs merit explicit consideration both at the outset and thereafter: experimental and innovative programs; affirmative action and related programs; and programs for adults.

Innovative and Experimental Programs

There appears to be no disagreement about the desirability of shielding innovative and experimental programs from the full impact of fiscal stringency.

> *Although most people agree in principle that innovative programs should be protected in bad times, the evidence from . . . in this state suggests that these programs are the first to be cut. Retrenchment seems to cause a retreat to traditional departmental groupings.*
>
> *--State budget office*

> *Although we are trying to protect innovative and experimental programs, these have been reduced considerably at the campus level.*
>
> *--Panel*

Innovative and experimental programs will receive some protection during retrenchment, but I hope they do not escape evaluation. We need greater recognition and acceptance of the fact that some experiments fail.

--Panel

However, protection will come about only through deliberate and positive action, for, as one administrator said, programs "outside traditional structures will be the first to go." Still another warned that if innovative programs are to survive, they will have to pass tests of efficiency as well as of educational effectiveness. Nevertheless, the reasons for favoring experimental programs are both practical and educational.

As a *practical* matter, many innovative programs address important, emerging issues and questions. It is probable that most of these programs will require funding through reallocation of existing support. Similar reallocation will doubtless be required to support an increasing number of interdisciplinary programs within campuses and other programs that cross campus lines. The slow development of the personal and technical bases for these "innovations" should not be interrupted by retrenchment, for eventually the costs of computers, libraries, and specialized facilities will be beyond the means of individual institutions. Institutional vitality--even survival--over the next ten years

may depend on specific attention to emerging programs during retrenchment.

The *educational* reasons for favoring experimental programs are equally compelling, for many such programs address at least three serious current issues:

--Undergraduates appear to be disillusioned with traditional instruction in the liberal arts.

--Graduate students are being trained for increasingly scarce academic jobs, yet their expertise seems urgently needed in other sectors of a complex society.

--Institutions must create, maintain, and improve their ties to the communities in which they are located.

In fact, experimental and innovative programs have received special attention. In New Jersey, a Marine Science Consortium and a systemwide computer and information system were omitted from the 1975-76 appropriation, and are now supported by centrally controlled funds; however, the Department of Higher Education's fund for the initiation of new programs was drastically reduced. In the State University System of Florida, a new Solar Energy Center was established in the 1975-76 state budget. In the University of Wisconsin, the systemwide office continues a grant program for improvement of undergraduate

teaching, and innovational calendar reform efforts at Oshkosh campus were recognized by reducing that campus's proportionate share of a "productivity" cutback. Wisconsin also offered "incentive funding" for development of multicampus consortia and of programs responsive to current societal needs. The University of Michigan's innovative program to shorten the time for medical education has been maintained, and attempts are being made to protect interdisciplinary and nontraditional offerings.

> *Don't be too optimistic about the zeal with which institutions and systems will protect innovative and experimental programs. More attention to development funding as front-end investment is needed, but it should be on the basis of a four to eight year proving period with fiscal targets as the end game. Experiments, however salutory, which ultimately generate higher unit costs, are threatened.*
>
> *--Panel*

Our study emphasizes activity of state higher education agencies and multicampus institutions, but protection is undoubtedly extended to innovative programs at the campus, school, and department levels. We suspect, however, that protection of innovation during times of fiscal crisis is best afforded by those who are some distance from the firing line. Strong administrative support at all levels is required to counterbalance enormous personal and organizational pressures on individual

faculty members. Faculty advice must be given substantial consideration, but faculty members cannot be asked to weigh the job of a colleague against continued support for a program--educational television, for example--in which their personal and professional interest may be at best peripheral.

Private and federal granting agencies can often provide the margin of support needed by institutions that, "facing severe financial stringency . . . are also under immediate pressure to adapt and improve their programs to be more responsive to needs of the learner and the economy" (Trotter, 1975, p. 6). But such funds are few, widely scattered, and admittedly marginal. The state funding base for innovation must be protected.

Affirmative Action and Related Programs

A serious problem is how to extend special protection to the variety of programs that deal with the educationally disadvantaged and with affirmative action for minorities and women. The moral obligation is clear, but the diversity of programs, compounded by the details of federal and state laws, militates against easy answers. The redefinition--possibly demise--of "open admissions" in fall 1976 at the City University of New York is an extreme but pointed example.

In this state, remedial programs and those for the educationally disadvantaged will be protected and should be.

--Panel

The crunch between programs for the disadvantaged and those for the well prepared, whether minority or Caucasian, is almost inevitable. How can one ultimately deny admission to a student who doesn't need remediation and supportive services while admitting one who does?

--Panel

Academic programs for the educationally disadvantaged have also received special attention. In New Jersey, the Educational Opportunity Fund program was held essentially harmless. In no instance were such programs singled out for reductions although it is probable that many bore their proportionate share of reductions, as in the City University of New York. In California, partial state funding of remedial programs was withdrawn in 1975-76, but apparently because of relatively narrow issues of program administration.

As far as employment is concerned, directives require that the impact of faculty and staff dislocation on affirmative action plans be considered, but as yet tenure and seniority rules prevail to limit discretion. Where discretion does exist, central review of campus decisions--in Wisconsin, for example--shows

specific attention to this issue. Whether by central review, by detailed directives, or otherwise, moral as well as legal obligations must be met. The exact form of such attention must be tailored to the needs of the organizations and states concerned.

> *Guidelines are needed in collective bargaining agreements for reduction of staff so that affirmative action policy is not violated.*
> *--State higher education agency*

Programs for Adults

Programs for adult students may be offered off campus, are usually part-time in most instances, are at least partly self-supporting, and may or may not be offered for degree credit. Self-supporting programs should be carefully examined during fiscal stringency to be sure that fees are appropriate, as was the continuing education program in the health sciences in New Jersey.

Where the state does share costs, programs for adults can be a specific target for reduction. The state may simply reduce support, as the 1975-77 appropriation bill did for the extension program at the University of Wisconsin. In Michigan, the legislature expressed its intent that off-campus programs would not be entitled to state support, a limitation that required

clarification to avoid unintended impact on regular instruction in field laboratories and teacher education. In California, for the first time, the state limited enrollments recognized for the funding of community college adult programs; it also withdrew support of the University of California's external degree program. The University of Wisconsin's external degree program also remains unfunded by the state.

A real but ambiguous tension exists between the concept of life long learning and that of public support for traditional college age students. State fiscal strategy seems to be to charge working adults the full cost of instruction, but this runs head on into the life long learning, drop-in and drop-out concepts of educational planning. The question as I see it: Can the state budget people refrain from emasculating continuing education long enough for changing patterns of post-secondary education to be reflected in changing funding strategies?

--Panel

I would like to see someone examine the shifts in higher education from traditional to non-traditional programs to boost enrollments. I believe that this may be as much a "budget strategy" as it is a response to educational need.

--State budget office

The legislature is involved in setting some program priorities. It eliminated funding for off-campus programs and reduced funds for public service activities.

--Panel

Off-campus instruction appears to be a specific target for statewide reductions. Yet thoughtful (some suggest optimistic) predictions are that the number of nondegree credit students will approximately double in the next ten years (Carnegie Foundation, 1975, p. 45). There are at least two possible explanations for this apparent paradox: First, noncredit, off-campus instruction has low prestige in the academic community itself. In the give-and-take of budgetary negotiation, programs for adults may be more easily yielded. Second, it is by no means clear that sufficient care has been taken in the past by higher education to monitor and coordinate off-campus activities. Should scarce state resources for higher education be used to support courses in macrame? Should two or three institutions offering the same programs compete for adult students within a few miles of each other? State executive and legislative fiscal agencies suspect that the higher education community has not really attempted to answer these questions. In any case, state higher education agencies and multicampus systems can no longer afford to be without detailed data about off-campus programs. As in Colorado, Oregon, and Wisconsin, an adequate information base can be used by regional and statewide planning groups to eliminate unnecessary duplication where it is found and to defend apparent duplication, if it is justified, on factually based academic grounds.

5. WHAT CRITERIA AND PROCEDURES SHOULD BE USED FOR LAYOFF OF PERSONNEL DURING RETRENCHMENT?

Retrenchment is a thicket of budgetary, programmatic, and procedural issues. Personnel--and personal--issues present the thorniest problems, but we can only outline these in the barest minimum in this report. We cannot, for example, explore the implications of a collective bargaining agreement that defines "retrenchment" as "the termination of the employment of any academic or professional employee" for reasons of fiscal cutbacks, resource reallocation, or curtailment of an academic program (Boyer, 1975, p. 8). Under our broader definition of retrenchment, termination of employment is a possibility but it is not the defining characteristic. An alternative to staff reduction may well be workload increases, as one budget office reported in responding to our survey.

> *Collective bargaining tends to ensure that all other cuts are made before faculty reductions.*
>
> *--Panel*

In the case studies, experience varies widely: from the highly detailed procedures used in the University of Wisconsin System to lay off, reassign, and relocate tenured faculty, to the absence of any special retrenchment procedures for personnel decisions at the University of Michigan. Despite this wide

diversity, four aspects of criteria and procedures for layoff appear relevant across all states: procedural, programmatic, attitudinal, and budgetary.

The *procedural* aspect dominates the initial response to retrenchment. Once administrators are aware that funds may be insufficient to continue existing staffing levels, their first reaction is to freeze faculty and staff recruitment. They then discover that existing statutes and regulations either do not cover the possibility of laying off faculty or do so in language too general to be useful. Of the systems and institutions in the case studies that had procedures for faculty layoff, all adopted them in haste.

These procedures are not discussed in detail because of great variations in governing procedures, in state statutes, and in the status of collective bargaining. Fulkerson (1973) collected examples of representative layoff provisions, and Furniss (1974) discusses the advantages and disadvantages of differing procedures as well as their legal implications. We can add little to these earlier discussions of procedures as such. We do strongly urge that procedures be examined and revised, or that new procedures be adopted before the need for their use arises.

The *programmatic* aspect is always mentioned in the retrenchment rules. In some cases, the provision regarding academic programs may have been added late at night following consideration of the permutations and combinations of tenure and seniority. At that point, the administrative authors recall that the numbers and formal status of faculty really represent past academic program decisions--and that dislocating faculty will also dislocate these programs. The regulations are then revised one last time and exhausted staff go home to bed. Only after the initial trauma do they sit down to resolve the longer-term substantive impact of faculty layoff on academic programs.

> *[Where faculty reductions did not follow from enrollment reductions] . . . "top" faculty are doing a lot of very menial tasks. This appears to be an unsatisfactory solution.*
>
> *--State higher education agency*

> *No one else sees any urgency about this, but we still do not have any procedures for laying off faculty in the event of fiscal retrenchment.*
>
> *--Panel*

If we sound critical, we are--not of particular personnel rules, but of the apparent inability of higher education institutions to face reality until after many options for dealing with retrenchment have been closed off. Tenure

and seniority are important, but what higher education is and where it is going are more so. A chief executive officer in one state in the study commented, "There was no problem more worrisome than the thought that we might not be able to maintain program integrity in the face of the grave personnel pressures inevitably involved." Although the relationship between tenure rights and academic program decisions is by no means settled (Lee & Bowen, 1975, pp. 142-143), this uncertainty is compounded when directives for consideration of programmatic decisions are included almost as an afterthought to detailed rules about personnel status.

> *The state higher education agency should have quite specific guidelines for retrenchment in some areas--e.g., we should have protected nonpersonnel items more than we did. Some campuses abused their flexibility.*
>
> *--Panel*

Rather than waiting for events to reinforce the possibility that retrenchment will be considered almost solely in terms of personnel decisions, higher education systems and institutions should initiate reviews of academic programs early enough to provide a context for staffing changes when the evil day of fiscal stringency comes. Maier and Kolka (1973), in "Retrenchment--A Primer," state emphatically that "it would

be tragic to let the moment for self-analysis pass by and pave the way for a hostile and indiscriminate public backlash" (p. 438). Their valuable article urges ongoing operational analysis of academic programs and offers a four-page checklist for such analysis; the constraints of seniority or tenure, however, are not mentioned.

The *attitudinal* aspect of personnel rules and regulations is as critical as the actual provisions themselves. Furniss (1974) suggests that a campus environment "low in anxiety and conflict may be a suitable goal for retrenchment procedures" (p. 170). Neither anxiety nor conflict can be avoided, but experience does indicate ways in which their level can be reduced. Rules and regulations can refer to "layoff" rather than "termination," and to employees who are laid off as such, not as "retrenched employees." Trivial? Perhaps, but attitudes reflect the sum of such minor items. Great care must be taken to avoid unintended connotations of lack of concern for individuals whose jobs are at stake. Such concern should be explicit in the procedures for relocation, retraining, and reassignment of dislocated faculty.

The most important facet of attitudes and perspectives has already been discussed under the question of who should participate in developing criteria and procedures. There does

not appear to be a constitutional requirement that faculty participate in decisions about which department is to be cut or specifically who within the department will be laid off (Furniss, 1974, p. 167). Nevertheless, we believe that faculty should do so. They may well be the only ones qualified to make the ultimate decisions about individuals, and, without their participation, the motives of the administration inevitably will be suspect.

The *budgetary* aspects of personnel procedures should not be accepted as a "first cause" of retrenchment and then given no further consideration. In Wisconsin, the governor and the legislature were responsive to the university system's need to honor its commitment to give layoff notice to tenured faculty and other staff; one million dollars in one-time transitional funding was appropriated to fund such commitment. Moreover, if existing budgetary procedures do not permit, flexibility in the form of allowing transfers of faculty among separately budgeted units should be sought; a faculty member who has been given notice of layoff should not be retained as a "lame duck" in his department.

6. WHAT ARE THE POSSIBLE LONGER-TERM IMPLICATIONS OF RETRENCHMENT?

Until recently, retrenchment was a relatively short-term phenomenon that made little or no impression either on the growth

of higher education or on educational policy. Some years ago in Florida, when the state's economy was heavily dependent on the citrus crop, a killing frost caused a one-year cutback in all state services. Higher education administrators in Florida gained experience in reducing expenditures, but otherwise the incident had little impact.

Now, however, even short-term retrenchment may have long-term implications. In the past, temporary fiscal stringency was usually an aberration in a context of otherwise settled values and priorities. Today, midyear cutbacks occur in the midst of what Donald Percy characterizes as a "Heraclitian flux" of changing social and educational values. The immediate responses of the state and of higher education may indicate directions of change that are not yet clearly articulated. Three possible changes are discussed here: state program priorities, student access, and tuition.

The case studies hint of possible *state level program priorities*. States appear more willing to fund academic programs with professional or occupational objectives based on manpower considerations than to recognize general enrollment increases: Examples are a recommendation for a new law school in Michigan and legislative maintenance of planned enrollment growth in

medical education in Florida. On the other hand, general enrollment increases may be more favored than off-campus, extension, or continuing education programs. Regardless of our particular perceptions of possible state level priorities, every higher education system and campus must meet retrenchment with its own considered program priorities.

> *Medical related programs that are still expanding will receive increased resources at the expense of other areas of state services including other areas of higher education.*
>
> *--Panel*

> *I find it surprising, but in my state it appears that career education programs are the most vulnerable to fiscal stringency.*
>
> *--Panel*

The historic commitment to *student access and choice* may also be undergoing change. Rare in the past, two types of enrollment limits or ceilings which may limit access are increasingly common (Magarrell, 1975):

> --Actual ceilings may limit the number of students that a system or campus may enroll. Such ceilings were considered by the City University of New York and the State University System of Florida. To meet the issues of longer-term fiscal stringency, such ceilings on enrollment were imposed for the first time in Wisconsin for 1975-76.

--Enrollment limits may appear in appropriations bills, not as actual ceilings but as limitations on the enrollment recognized in computations for state funding. Although these have been used in the past, they can become a severe funding limitation during retrenchment--as in New Jersey for community college enrollments.

It is clearly too early even to speculate on the implications for access that these short-term responses might have. In the past, capacity limitations were imposed because of insufficient physical facilities and qualified faculty. These limitations have been overcome, but health and welfare are now powerful competitors for state funds. Higher education is no longer a high priority, and distinctions among applicants may be required: The educationally disadvantaged have claims to places that may be more costly than those who are better qualified, and adult applicants are now making their needs known as well. Current short-term retrenchment foreshadows eventual ordering of the priorities of these different claimants.

Tuition has been increased in several instances during short-term retrenchment and these increases have partially alleviated its impact, but, except in the City University of New York, it cannot be said with certainty that they were caused by retrenchment. The 1975-76 tuition increase at the University of Michigan was based on an informal policy of maintaining tuition

as a specific proportion of educational costs. Increases in the State University System of Florida reflected a similar policy. But tuition increases are a less controversial source of additional revenue for state government than a general tax increase, despite the publicity given to student demonstrations against them. We suspect that they may serve this purpose in some states, perhaps without adequate consideration of their impact on access.

> *Campus administrators were very outspoken against tuition increases until the legislature indicated that these would be the only source of new money. They changed their minds fast.*
>
> *--Panel*

> *Essentially, there will be level funding for 1976-77, offset in part by a portion of amounts that governing boards are able to raise by increased tuition and fees.*
>
> *--State budget office*

> *There is a current legislative proposal to increase higher education budgets only by those amounts which can be offset by increases in tuition rates.*
>
> *--State budget office*

4.

New Styles of Administration

Although retrenchment brings immediate responses that may or may not have implications for the future, the major long-term result, we believe, will be systematic change in the administrative processes that support academic and budgetary decisions. The acute distress of a midyear cutback is a symptom of a chronic condition that will not be cured by hiring freezes, enrollment limitations, or restrictions on travel.

THE IMPERATIVE OF RESOURCE REALLOCATION

The chronic condition in which higher education will find itself over the next decade is made up of many factors: demographic changes; growth of state tax-supported health, welfare, and environmental services; energy problems; inflation; and the shifting values not only of students but also of society in general. The immediate future may well be characterized by "creeping fiscal exigency" (Glenny, 1974-75; Moore, 1975).

States may not discriminate against higher education deliberately when fiscal stringency comes, but higher education may have lower priority than some other programs such as welfare. In addition, some other state services--K-12, for example--have rigid funding formulas to protect them, and we do not.

--Panel

State revenues have been sufficient for additional funding, but we have been hit by the change in priorities in allocating state revenues. . . . [We are] getting less to do more.

--State higher education agency

Relatively loose, unstructured, and highly subjective administrative styles of the past may have been well suited to a period of growth. Whether because or in spite of them, higher education thrived. But the new conditions require a new style, as Earl Cheit (1975a) suggests:

> A new style is emerging on campus. Unlike the old one, which sought improved quality mainly by adding income, the new one relies mainly on control, planning, evaluation, and reallocation to promote institutional strength within fiscal constraints. This new style means converting loose collections of professionals into managed institutions, using more formal approaches to decision-making, relying more on systems. (p. 170)

Cheit sees the new style as characterized by control, planning, evaluation, and resource reallocation, and we agree.

There is, in fact, little that is conceptually new about the new style of administration. Systems and institutions of higher education are being forced by the imperative of resource reallocation to undertake realistic planning that has been urged in the past (Glenny, 1959, pp. 73-82; Lee & Bowen, 1971, p. 233). We considered pouring old wine into a new bottle by calling the new style of administration "imperative planning," but the name is unimportant. Each state and each system and institution will devise procedures to suit its own circumstances. It is far too early in the transition from growth to stability to predict the exact conformation of these, but the responses of higher education to retrenchment point out possible common characteristics.

Resource Allocation

Howard Bowen (1976) reflects that, in his more cynical moments, it is easy to believe that "internal allocations are . . . incremental annual adjustments based on external and internal political pressures" (p. 4) instead of on educational grounds. Whether cynically or realistically we do not expect that the new style of administration will completely dispel the pressures of either state or academic politics. We do believe that while fiscal stringency will increase these pressures, higher education will, paradoxically, be less subject to them--at least in the form of "incremental annual adjustments."

--State higher education agencies will project resource use beyond a single fiscal year, and executive and legislative fiscal agencies are likely to respect these projections. Although one legislature cannot bind its successor, a one-on-one projection of fiscal expectations and academic programs will be a favorable context for realizing such expectations.

--In this context, necessary phasing-in and phasing-out of academic programs will add emphasis to the need for matching resources to planned changes over time.

--As fiscal and enrollment conditions stabilize, the options for unplanned, incremental change will decrease. Some play in the joints of the annual budget must remain or the machine will not run, but little scope will be allowed for re-allocations that are not justified by academic plans.

We believe that state budgeting will move toward multi-year fiscal planning. Change will not be dramatic. Day-to-day procedures and guidelines are volatile, but procedures for developing state budgets--even the formal wording of appropriation bills--represent long-term political relationships and are powerful stabilizing factors in state government. In state budgetary practice, higher education has traditionally enjoyed greater fiscal flexibility than other state agencies. As emphasis shifts to longer-term fiscal planning, some of this flexibility will be lost. Still, the shift in emphasis will not apply to higher education alone, and other state agencies may gain flexibility in a more rational context of planned change.

Higher education can be more effective and responsive to future fiscal situations if higher education institutions and their state executive and legislative counterparts can develop realistic plans and adopt a concept of forward funding. . . . This concept would provide time for smooth transition to approved program changes.

--State higher education agency

In this state, collective bargaining agreements require a two year lead time in retrenchment and campuses have some discretion in closing revenue gaps because of this.

--State budget office

Academic Plans and Planning

Under the new style of administration, the substance and format of academic plans will differ substantially from those that generally formed part of higher education's paraphernalia in the past:

--Plans--as in the new Illinois plan--will explicitly consider the impact of possible fiscal stringency.

--Plans will be revised on an annual or biennial basis, and will no longer be assumed valid for fixed five- or ten-year periods. More frequent revisions will be based on current budgetary and enrollment projections.

--Plans will be more inclusive of other sectors of education: independent institutions, secondary schools, and vocational and technical schools. The time has passed when the differing sectors can be allowed to go their separate ways.

--Plans will be more specific about short-range objectives, particularly anticipated new programs. On the other hand, they may be less specific about long-range objectives, to keep the fewer available options open.

--Institutional roles and missions are less likely to be stated in general terms--e.g., "an urban university"--than by well defined academic programs and constituencies.

--Plans will still present institutional images to outside constituencies, but not in a lavishly illustrated, slick paper format. The proper image of the next decade will be one of frugality, even if money were available for a more impressive presentation.

Our new academic plan warns campuses that there will be an enrollment bulge from 1977 through 1980, but [a] decline thereafter. The plan encourages increased productivity and the reallocation of existing resources. While not specific, the plan does lay a broad framework for future responses to fiscal stringency.

--Panel

Academic plans have generally not been useful because they were not specific enough, but hard planning during hard times can improve quality, productivity, and effectiveness.

--Panel

Even if we cannot accurately predict the particular characteristics of academic plans, we are certain that these plans will be more difficult to prepare: They will no longer be expansively built to have something good for "everyone." But it will be essential that "everyone" clearly understand the

plan, for it will be more operational rather than the rhetoric of the past.

Academic Program Evaluation

Since 1970, both the scope and intensity of review of new and existing academic programs has increased (Glenny et al., 1975b, p. 124; Lee & Bowen, 1975, pp. 36-57). Under the new style of administration, the trends will continue:

--The costs of existing programs and the projected costs of new ones will be an increasingly critical factor and a major (although never the only) criterion for evaluation.

--Quantitative data on costs, enrollments, and faculty and staff characteristics will be routinely collected and analyzed. These data will not substitute for informed academic judgment, but they will be major criteria for deciding when and where qualitative factors must be made explicit.

--Executive and legislative fiscal agencies will show greater interest in academic program evaluation. But--as in California and Wisconsin--they should generally restrict their attention to the procedures by which state higher education agencies undertake review. Unless the higher education agencies are derelict, state fiscal agencies should not themselves assess the effectiveness of individual academic programs.

--State higher education agencies will--as in West Virginia and Wisconsin--explore and develop criteria for minimum size of academic programs and campuses. Regardless of enrollment limits, state interest in maintaining a campus for a particular region must be reflected by adequate funding. On all campuses, high cost programs that serve only a few students

will be subject to scrutiny--particularly specialized programs that are duplicated on other state campuses.

We recently terminated about 50 degree programs, about half of which will result in substantial savings. We looked at trends in enrollments and degrees, the importance of the program to the total campus mission, critical mass of faculty, and the general quality of the programs in reaching the decisions.

--Panel

Academic program reviews have been helpful in responding to fiscal stringency, particularly at the institutional level.

--Panel

The University's responses to reduction so far have been essentially ad hoc, but 1976-77 requests reflect recent, very careful campus reviews of academic programs.

--State budget office

Until recently, few existing academic programs were terminated, and many new ones were instituted, simply because "every" liberal arts campus or "every" research-oriented university should offer them. The new style of administration will inherit many such programs, and, if campuses are to retain their vitality, something like "zero-base" academic review will be required.

Information and Information Systems

Much more so than in the past, the new style of administration will make use of routinely collected, quantitative

information. Within the higher education community, decisions will continue to be based on informed academic judgment rather than on numerical indices, but the indices will be available and can direct attention to possible problem areas. An example is provided by the monitoring of campus resources (the "composite support index") in the University of Wisconsin System. Yet information may create as many problems as it resolves:

--State and federal agencies demand reports of increasing scope and complexity. In early 1976, the New York State Commissioner of Education was sufficiently dismayed by a federal survey that he requested the Department of Health, Education, and Welfare to withdraw it (Nyquist, 1976). The apparent assumption that unlimited information can be easily and cheaply extracted from automated data files is one that all who labor in this particular vineyard know to be false.

--Although compilations and analyses of existing statewide data usually explicitly warn of data inconsistencies and ambiguity (see McCoy, 1975), these compilations undoubtedly will be used or--even with the best intent--misused by state fiscal agencies for comparative purposes.

--Information systems are outside the mainstream of academic objectives. As both external and internal demands for quantitative data increase, resources for data collection and analysis will usually be available only in competition with equally valid demands of instruction and research.

We found that the pain of retrenchment was eased by good structures and processes for consulting as many people as possible, by a fairly comprehensive information system and

data analysis, and by deciding early just what had to be done centrally and what had to be done at the campuses.

--Panel

The analysis of cost data for 23 disciplinary areas was very useful in avoiding a flat across-the-board 6 percent reduction that was required in fiscal 1976. Analysis provided a rational basis for selective reductions.

--Panel

We believe that retrenchment was implemented more easily because of the cost information which had been developed about various institutions.

--Panel

Centralization

It appears inevitable that *some* academic decisions that were the prerogative of departments, schools, or campuses in the past will move to a higher organizational level. Eighty-four percent of the state higher education agencies responding to our questionnaire agreed that state fiscal stringency had led or would be likely to lead to greater centralization of academic program decisions in their offices. Although "centralization" is a notoriously ambiguous term, it does capture a perception of the future that is shared by seven of eight consolidated governing boards, by 10 of 12 regulatory coordinating agencies, and by three of four advisory coordinating agencies. Our consultants, who were drawn from all three types of agencies, agreed that a

consolidated governing board had greater options for short-term responses to retrenchment than most coordinating agencies. One suggested that demands for fast decisions could lead to greater centralization of authority in consolidated boards. Consolidated board representatives agreed on the possibility for greater centralization but not the probability. All concurred that the diversity of governance and coordination across states--including the personal characteristics of the major actors--precluded generalization.

> *A state level higher education agency has to be out front with positive recommendations and a program to minimize the impact of retrenchment on the students.*
>
> *--Panel*

> *Retrenchment has strengthened our ability to exercise the statutory authority that we already had.*
>
> *--State higher education agency*

> *You should emphasize the need for centrally developed retrenchment guidelines and setting of priorities as opposed to uncontrolled campus autonomy.*
>
> *--State budget office*

This study of the immediate impact of retrenchment could not explore possible trends toward centralization. Some evidence of centralization may be present in states where greater interest is being shown in the costs and in the possibility of

program duplication of off-campus offerings. Proposed strengthening of coordinating agencies--or their establishment where none exists--may be similar evidence in states like Maryland, Massachusetts, and Michigan. The opinions of those who are responsible for higher education in their states that centralization will occur justifies concern that it be informed, deliberate, and limited to steps assuring accountability and the achievement of statewide goals. Such assurance is best provided, we believe, by current and realistic academic plans that reflect both program evaluations and budgetary considerations.

PRINCIPLES AND GUIDELINES

Each state differs from its neighbor in its transition from growth to stability, and in the extent to which the transition may be distorted by fiscal stringency and retrenchment. Moreover, academic and fiscal authority is found at different levels across states and often across institutions within the same state. Our principles and guidelines must be read with these differences in mind.

Before Retrenchment

There are, we believe, seven first principles of academic administration that apply at all times to all institutions and states. The first five mandates are well known to everyone who

ever attended a conference or read a book on academic planning; the last two are the dictates of common sense. These mandates are not repeated here simply because we have attended the same conferences and read the same books. Reiteration is required because, as familiar as they are, these mandates are not reflected in current practices, and reassessment and reexamination of current practices are urgent necessities.

1. Establish campus roles and missions in terms of existing and proposed academic programs and campus and program objectives. Missions should incorporate projections of student enrollment and of faculty turnover.

2. Review new and existing academic programs under procedures that require extensive faculty participation. Reviews should emphasize both improvement of offerings and identification of weak or duplicative ones.

3. Assure routine collection of basic information about students, faculty, academic programs, use of facilities, and costs. If common statewide definitions are lacking, agreement should be reached on procedures that will assure reasonable comparability of major data elements.

4. Determine academic program priorities based on campus missions, academic plans, and data projections, scheduling proposed changes in existing offerings over a three to five year period.

5. Assure fiscal and programmatic flexibility by retaining or recapturing funds, faculty positions, or both, to meet shifting student demands and to support new and experimental programs.

These first five principles do not contain an explicit mandate "to plan." Standing alone, such a mandate may be too broad to have meaning (see Wildavsky, 1973). We do know that similar mandates have had little effect in the past. But we do suggest that "planning"--however defined--is inevitable if campus missions are expressly bounded by program offerings and expectations and are set within a matrix of projected student enrollment and faculty composition.

The sixth principle is very specific:

6. Develop procedures for the layoff, relocation, retraining, and termination of tenured and non-tenured faculty and staff. These procedures should clearly distinguish among the causes for changes in faculty status: fiscal stringency or retrenchment, enrollment decline, and programmatic change.

The seventh principle is very broad:

7. State higher education agencies and executive and legislative fiscal agencies should maintain a continuing dialogue with the objective of defining explicit relationships among the elements of student access, academic quality, and budgetary support.

In times of growth, the factors of student access, academic quality, and budgetary support were related by budgetary formulas and guidelines. Relatively gross enrollment figures were related to state dollars, and--explicitly or implicitly--

educational quality was represented by a student/faculty ratio that was essentially an artifact of the formula itself. Budgetary formulas will continue as aids to calculation, but they must be modified by more detailed considerations of program type and cost, student characteristics, and by the best available opinions on the effectiveness of programs in meeting student and state objectives. Firm budgetary guidelines in any state are unlikely in the face of substantial fiscal uncertainty, but, should retrenchment be required, both state and institutional response will be informed by prior exploration of critical issues. Although the issues may not be resolved, areas of dispute will be substantially narrowed, and quantitative and qualitative information bearing on them will be available.

Following these first principles will not of itself lead to an adequate statewide plan for higher education. They say nothing of the broader issues of coordination discussed at length elsewhere (Glenny & Weathersby, 1971; Berdahl, 1971; Carnegie Foundation, 1976). These principles do not even anticipate fiscal stringency other than in the personnel procedures. They are critical guidelines nevertheless. If followed, they will provide a firm basis for the decisions required during retrenchment.

Public higher education cannot control an uncertain future, either unilaterally or with the most complete cooperation of state fiscal agencies. But if a system or institution knows what resources it has and what it wants to do with them--in short, *if it has a plan*--then it is immeasurably better prepared for adversity than the all too many colleges and universities whose most specific goals are found in their catalogs.

During Retrenchment

Almost by definition, retrenchment comes as a surprise. If a state higher education agency, a multicampus system, or a campus lacks academic program objectives and priorities or does not have access to detailed information about students and faculty, the shock of surprise will dominate its response. Specific advice will be of little help. Where there has been preparation for planned change, however, and recognition that achieving it will require resource reallocation, more considered response and guidance are possible:

1. Selective as opposed to across-the-board reductions will usually be the more appropriate response, if time is available to implement them. Only by accident will proportionate cutbacks recognize the differential needs of campuses and programs.

2. Across-the-board reductions may be the only alternative, if time is not available or if institutional morale is perceived to require them. If used,

such reductions should be based on total annual budgets to the extent possible, not on fund balances at the time of the reductions. The happenstance of expenditure timing should not replace earlier, more considered, judgments on relative needs.

3. Fixed or relatively fixed costs should be clearly identified, examined, and widely publicized. Utility costs and contractual salary commitments, for example, reduce the margin for programmatic response. These limits on flexibility should be explicitly stated.

4. Existing faculty and student consultative groups should be brought into discussions as early as possible. If appropriate groups do not exist, ad hoc advisory committees should be established and kept fully informed.

5. Institutional rules and regulations limiting fiscal flexibility should be identified and revised to assure maximum flexibility.

6. State rules and regulations limiting fiscal flexibility should be identified and appropriate changes requested to assure maximum flexibility.

7. Use of flexibility by subordinate units should be analyzed and, if necessary, control points should be established to assure that future needs in both personnel and support areas are not sacrificed to current convenience.

8. Procedures for faculty layoff or relocation should be reexamined. The actual or imminent use of these procedures is likely to indicate modifications that had not been considered when procedures were originally developed.

Retrenchment is not an isolated problem that can be resolved by immediate response in a single year. A midyear cutback or an untimely and drastic reduction in a budget request

is almost always an early symptom of continuing fiscal stringency. Obvious and immediately available reductions--travel and purchase restrictions, for example--are "first aid" measures, not remedies. Relatively painless, one-time reductions cannot be repeated without undermining relationships between essential support functions and academic program objectives. The long-term impact must not be disregarded in the haste of immediate response. Because readily available reductions are only partial solutions, higher education and the state must both accept responsibility for the longer-term policies and procedures that address the longer term.

Regarding *policy*, we have already urged that preparation for retrenchment requires a continuing dialogue on the relationships among student access, program quality, and state support. The general expectation that state higher education agencies with governing or regulatory authority will allocate reductions to campuses and programs should not obscure the fact that access, quality, and funding are *state* policy issues as well as educational ones. In implementing state policy, state higher education agencies, campuses, and individual administrators and faculty members must accept responsibility for difficult, usually unpopular, programmatic and personnel decisions. State government has the prior responsibility of affording policy guidance:

9. Governors and legislatures must indicate explicitly what changes in state policy they wish to have implemented when fiscal stringency upsets the expected and traditional relationships among student access, program quality, and state support.

Regarding *procedures*, an adequate long-term response to retrenchment will be possible only if budgetary development and administration are integrated over time with academic program objectives. In our questionnaire, we asked if retrenchment "led to greater integration of academic program planning and budgeting within higher education systems and institutions." Of the 24 states reporting some incidents of retrenchment, 12 agreed that such integration had taken place, and six reported that it had not. Six others either did not respond to this particular question or stated that it was inapplicable. While these responses are not discouraging, neither do they indicate that academic programs and budgets will be integrated simply under the pressure of a midyear cutback or a substantial and untimely reduction in a budget request. Higher education should take the lead in this integration:

10. State higher education agencies and institutions must base budget requests on realistic multiyear fiscal projections that incorporate specific academic program priorities.

Higher education cannot solve its problems alone. Multi-year budgeting requires some stability, if not in state funding, then in the premises on which that funding is based. State fiscal agencies are a necessary party to any attempt by institutions to plan beyond the current budget cycle. Governors and legislators must recognize that instruction is sequential and highly dependent on very specialized personal services. The reasonable expectations of students and the contractual conditions of faculty employment impose severe limits on rapid institutional change:

11. Governors and legislatures must recognize, at least in principle, the need for multiyear funding in higher education so that reallocation of funds can be phased over time.

THE ROLE OF STATE BUDGET AGENCIES

Generalizations and predictions about new styles of administration in higher education carry substantial risk, but far less than those dealing with state budgetary structures and practices. Across all states, higher education budgets are relatively uniform in accounting for the costs of students, teachers, and facilities (National Association of College and University Business Officers, 1974). At the state level, however, there are enormous variations in the format and content of governors' budgets, appropriation bills, and allotment practices.

A current study of state budgeting in 17 states found that executive budget offices may have as few as one and as many as nine or more professional staff reviewing higher education budgets (Glenny et al., 1975a, pp. 18-19). Legislative staffing patterns show not only variations in size but many others related to the structure of substantive and fiscal committees. Despite this great diversity, fiscal flexibility and accountability are two aspects of state activity that are particularly relevant to retrenchment.

Fiscal Flexibility

The governor's office and his fiscal staff are the first to cope with fiscal stringency. They usually allocate necessary reductions across the board to all state agencies, and all, including higher education organizations, are delegated the responsibility for detailed implementation of the cutbacks. Where executive budget office approval is required for transfers, it has usually been forthcoming, and states have recognized the immediate needs of the higher education institutions for flexibility.

When fiscal stringency continues into a second year or beyond, this awareness appears to continue. In New Jersey, the executive budget office gave advance assurance that budgetary

transfers would be approved. In Florida, the legislature changed the appropriation bill from a line-item to a lump-sum format to permit greater flexibility.

In this report, retrenchment appears as the major factor that points up the need for fiscal flexibility, but it is by no means the only one with which higher education must cope (Lee & Bowen, 1975):

> Uncertainty of federal and extramural funds further reduces the necessary guarantee of fiscal flexibility required in times of resource constraint. Funds such as indirect cost reimbursement from grants and contracts are less available as a source of discretion, as they are diverted to activities previously supported by the state. Similarly, faculty collective bargaining may make inroads on fiscal flexibility as unallocated dollars are required to caulk the seams of negotiated contracts. (p. 138)

We urge that state fiscal agencies continue to recognize higher education's need for flexibility. Reallocation of resources to maintain progress toward planned objectives is an imperative, but higher education must have the flexibility to respond to it. Fiscal flexibility does not mean the end of either fiscal or programmatic accountability to the state. With the Carnegie Commission on Higher Education (1971), we believe the state must "exercise influence and even control" (p. 105) over a variety of

matters, including effective use of resources. Governors and legislatures can maintain control over the effective use of resources by clear and explicit policy, by participating in multi-year fiscal planning, and by postaudits. Restrictive line-item budget categories and detailed preaudit and similar procedures can control resources, but they will not control the *effective* use of them.

Accountability

To achieve program accountability there is a growing reliance on special program or performance audits undertaken by special staff units (Glenny et al., 1975a, p. 50). Their activity is supplemented with requests that higher education furnish studies and reports on particular topics.

Such studies can be a powerful aid to governors and legislatures both in determining future policy directions and in reviewing higher education's compliance with past directives. For higher education such studies can substitute thoughtful and in-depth analysis of performance for mechanical guidelines and formulas and the often superficial auditing of complex operations. The form and content of these studies will vary with the issues, but at their best there is the real possibility of the true "policy analysis" that Aaron Wildavsky (1969) seeks to rescue from earlier planning, programming, and budgeting procedures.

However, the more detailed the information about the operations of higher education, the greater is the temptation to correct perceived deficiencies. The increasing analytic capacity of state executive and legislative budget agencies is potentially beneficial, but the immediate impact is mixed. The need exists to define more explicitly the boundary between legitimate state fiscal concerns and educational prerogatives. State probes often seem unconstrained by an awareness of the costs of response to the institutions or of the utility of such probes to senior state officials and budget officers. Staggered response deadlines, avoidance of duplicate inquiries, prior agreement on the precise reason for inquiry and the result desired, and costs and priority of requests should be among the minimal conditions of any state inquiry. Recognition of the expense of accountability in time and money is growing (Cheit, 1975b), but costs are not the only problem, and almost heroic self-restraint on the part of governors, legislators, and their staffs is essential to avoid unnecessary and possibly harmful intervention into internal campus management.

CONCLUSION

Retrenchment is unfortunate even if unavoidable. It can cause personal tragedy, and it inevitably entails institutional disruption and trauma. It can drastically alter an entire educational system, as it has in the City University of New York.

It may result in continuing lower funding levels with a similarly drastic impact on individual programs or departments. It may reduce educational opportunities by limiting enrollment or imposing higher tuition. But adversity has its uses. Those who have experienced retrenchment are now fully aware that institutional vitality depends on the willingness and ability of faculty and administrators to state specific academic program objectives, to order these as priorities, and to allocate resources accordingly. They are also aware that the task requires the informed cooperation of executive and legislative fiscal agencies.

> *Better integration of academic program planning and budgeting is mandatory if we are to survive. This is, of course, a necessary reform for all institutions . . . not just those facing financial exigency. The main thing is to keep the ball in our hands by doing our jobs; otherwise state budget officers and legislators (or legislative staff) will be forced to do it for us.*
>
> *--State higher education agency*

> *I do not know of any serious or realistic integration of program planning and budgeting. But under current fiscal realities, such integration must occur or higher education's relative position in the resource allocation process is going to decline.*
>
> *--State budget office*

Many states have not experienced retrenchment, but the lessons of those who have are applicable to all: They are not

only lessons in retrenchment, but in the basics of sound administration of public higher education.

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Appendix: Case Studies

The case studies in this appendix generally cover responses to fiscal stringency during the fiscal years 1974-75 and 1975-76. They were prepared from extensive documentation furnished by our institutional consultants and from correspondence, discussions, and telephone conversations with them. Drafts of the case studies were reviewed by them and also by a person in each state--usually an executive or legislative fiscal staff member--not connected with the institution during the retrenchment. The case studies reflect most of the comments of these reviewers, but in some instances, limitations of space may have prevented extensive or detailed explanation. In others, we may have emphasized a factor which we perceive as relevant to other states even though it may not have been perceived as critical in the particular state. Moreover, the relatively common format adopted for presentation may be a procrustean bed distorting specific events. We do believe, of course, that the case studies accurately portray the major features of retrenchment in the five states as of early fall 1975. To the extent that they do, the credit belongs to our

consultants and reviewers. To the extent that they do not, we alone must take the blame. The consultants themselves have prepared "postscripts" which update the case studies as of late spring 1976. Our indebtedness to them is obvious, and the time taken by them to prepare these postscripts is more than adequate evidence of their sincere interest in this attempt to help others meet the problems of fiscal stringency.

FLORIDA:
State University System of Florida

OVERVIEW AND CAUSES OF RETRENCHMENT

The State University System of Florida administers nine general campuses which are funded by the state as a single budget unit. In the middle of the 1974-75 fiscal year, the State University System--along with all other state agencies--was required to reduce expenditures from state general funds by 3.3 percent. For the following year 1975-76, the overall appropriations exceeded that for 1974-75, but state general revenue fund support was reduced, the reduction being offset by an increase in tuitions:

1974-75 & 1975-76 State Funding by Sources: Nine Campuses
(in $ millions)

	1974-75			1975-76		
Fund Source	Appropriation	3.3% Reduction	Net	Board recommendation	Governor's recommendation	Appropriation
State general funds	193	(6)	187	240	181	186
Tuition and other income	49	-	49	50	54	65
Total	242	(6)	236	290	235	251

Under previously existing standards based on requests generated by an enrollment-driven formula, appropriations for 1974-75 would have accommodated a 2.5 percent enrollment increase. In fact, a 5 percent increase occurred. Enrollment is expected to increase an additional 6 percent in 1975-76.

In addition to the $251 million appropriated for the nine general campuses, the State University System received $114 million to fund other budget entities which it administers--overall, some $17 million more than the 1974-75 appropriation. These appropriations to higher education were part of an appropriation of $4.5 billion for all state services, of which $2.2 billion was general revenue. The general revenue appropriation was some $300 million less than the 1974-75 appropriation--reportedly, the first time in over 30 years that state general revenue spending had decreased from one year to the next.

Retrenchment in Florida clearly resulted from a decline in state revenues. The revenue estimate which precipitated the fiscal 1974-75 mid-year cutback was:

Fiscal Year 1974-75

General revenue fund	
January 1974 estimate	$2,322,100,000
November 1974 estimate	2,204,600,000
Total	$ 117,500,000*

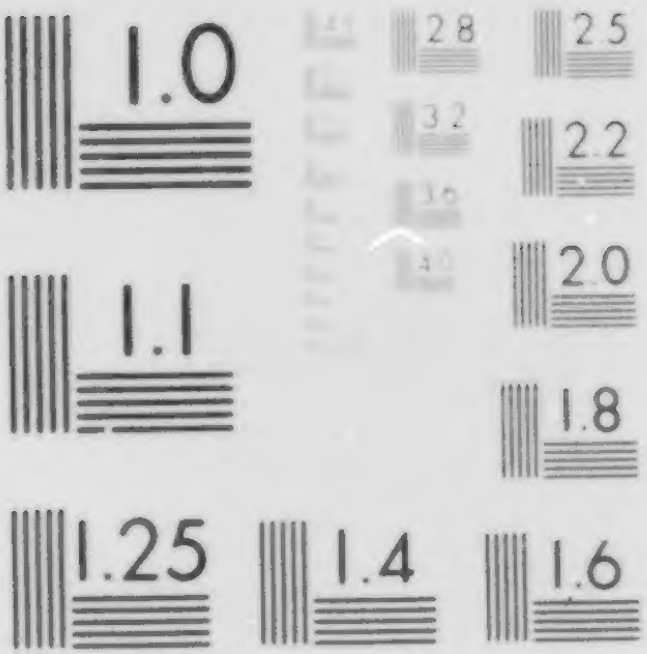
*As adjusted for legislative changes.

The decrease in the 1974-75 General Fund estimate is broad-based, reflecting the generally poorer economic activity in the Nation and the State. Of the 20 major General Revenue tax sources, estimates for ten were revised downward, only five were revised upward and five were not changed.[1]

For the State University System, the 1974-75 cutback was compounded by the need to absorb internally some $2 million in unexpected energy costs.

HIGHER EDUCATION COORDINATION AND GOVERNANCE

The State University System is a state agency, subject to all state regulations except as otherwise expressly excepted. It is one of four divisions of the Department of Education which, under an elected commissioner, reports to an unusually constituted State Board of Education: The governor and six other elected officials who are members of his cabinet. There are four major divisions in the Department of Education: Elementary and Secondary Education, Community Colleges, Vocational Education, and Universities (i.e., the State University System).



MICROCOPY RESOLUTION TEST CHART

Within the State University System, a nine-member governing board, the Board of Regents, appointed by the governor, is responsible for seven budgetary units or "entities." Emphasis in this study is on the five four-year universities and four junior-senior-level institutions which are funded as a single unit under the budgetary title of "Educational and General." The other six entities are the general office of the governing board administered by the chancellor for the system, four centers or institutes administered by the University of Florida, and a medical center administered by the University of South Florida.

Twenty-eight community colleges within the Community College Division are coordinated by the Division of Community Colleges within the Department of Education. The community colleges have local governing boards but are fully funded by the state on a cost-per-student basis. They are not subject to the same controls as the State University System, but the impact of retrenchment was nevertheless quite severe, particularly for fiscal 1975-76. Many community colleges have limited enrollments rather than adhering to the normal practice of admitting all students. Others have limited specific programs, e.g., vocational as opposed to academic programs.

Approximately 83 percent of all students are enrolled in the public sector in Florida. Between 1970 and 1974, both public and private higher education in Florida grew at a greater rate than in the nation as a whole: 36.7 percent compared to 22.7 percent in the public sector, and 6.6 percent compared to 4.4 percent in the private.[2] Headcount enrollment in nine universities (Educational and General) grew by 48 percent over this period--from 70,950 to 105,231. The State University System, through the University of South Florida, is currently assuming the operation of the formerly private New College in Sarasota.

Historically, one of the nine universities in the system has had a predominantly black enrollment, and the state has entered into a desegregation agreement with the Department of Health, Education, and Welfare to guide systemwide planning in relation to its campuses. The agreement has resulted in special allocations, for example, to Florida Agricultural and Mechanical University for the improvement of specific programs. Some special allocations were reduced or deferred in the retrenchment process.

STATE BUDGETARY PROCESS

Florida has an annual budget with the fiscal year beginning July 1. The nine universities in the university system are funded through a lump-sum appropriation. Subject to general state laws

and legislative direction, the system can shift funds and positions among them. For the past six years the system's budget request has been based on a comprehensive budgetary formula, the major elements of which are:

a. Projected student credit hours are divided by a productivity factor to determine full-time academic positions. The productivity factors apply to all nine institutions and vary by four levels of instruction and by 23 disciplinary areas.

b. Additional faculty positions are generated by applying systemwide ratios to the number of teaching positions to obtain support for research, for public service, for academic counseling, and for academic administration.

c. Salary dollars are computed by multiplying full-time regular faculty positions by average salaries. Average salaries are on a systemwide basis and vary by the same instructional levels and disciplinary areas.

The system provides a dollar and position target for each campus based on the formula, on anticipated funding for new activities, and on cost and revenue projections. Individual campus requests are not comprehensive, but are narrative listings of special issues, problems, and priorities. Campus requests are reviewed and staff priorities set at hearings between the chancellor and System Council of University Presidents. After Board of Regents' approval and preliminary review by the governor's budget office, the system request is forwarded through the Department of

Education for final submission to the state in November, prior to the beginning of the fiscal year. The State University System's 1975-76 budget request had been completed before 1974-75 revenue shortfalls became apparent.

The university system request is reviewed by the governor's budget office and by legislative fiscal staff in both houses. Review generally considers systemwide, as opposed to individual, institutional issues. The governor's budget, submitted in March, is in program format disaggregating the total appropriations by the 13 elements of the WICHE/NCHEMS program classification system format, but not by individual campus.

The legislature enacts an appropriation for higher education within the General Appropriation Act. In 1974-75 the appropriation for the nine universities (i.e., "Educational and General") was disaggregated not by program but by four major items of expenditure: Salaries and Benefits, Other Personal Services, Expenses, and Operating Capital Outlay.

At the urging of the State University System, objects of expenditure lines were eliminated in the 1975-76 appropriations bill to allow greater fiscal flexibility. Legislative statements attached to the appropriations bill gave overall policy direction. For example:

It is the intent of the Legislature that the order of priority for providing resources for programs in the State University System shall be as follows:

1. Upper-level undergraduate
2. Lower-level undergraduate
3. Masters-level graduate
4. Doctoral-level graduate
5. All remaining programs.[3]

Overall, the budgetary process in Florida allows substantial discretion to the State University System in resource allocation among its campuses, and to the campuses for internal allocation.

STATE-LEVEL PROCEDURES AND CRITERIA

Immediate curtailment in mid-year of expenditures from 1974-75 appropriated funds was concurrent with revision of the 1975-76 budget request. Revision was, in fact, initiated slightly earlier than the need for immediate action became known.

Fiscal 1974-75

In November 1974 the State University System was notified that expenditures for the current year 1974-75 would have to be reduced. Initially, the cutback was announced by the governor's office without specification of an exact amount:

> Current economic events have reduced the expected level of 1974-75 state revenues by $117.5 million. As a result of this condition, Governor Askew has directed me to request that you review your spending plans for the balance of this fiscal year to reduce proposed expenditures. Please advise me by December 6, 1974, of the reductions that can be made in the various programs in your agency.[4]

In mid-December 1974, after approval by the Board of Regents, the university system requested that the nine universities take immediate steps to reduce costs.[5] The major step was to freeze employment until *each campus* could guarantee: 1) a reduction of the campus' total Salary and Other Personal Services lines by 2 percent; 2) a vacancy of 2.5 percent in faculty manyears at the end of the fiscal year on June 20, 1975; and 3) a reduction of 2 percent of the total annual rate of salary expenditure by the same date. In substance and across the system as a whole, this meant a reduction of at least 130 full-time academic positions from the 1974-75 authorized total of 5177.

University system guidelines pointed out other ways in which costs might be reduced:

1. Review of the number of small-sized classes and reduction of that number if possible.
2. Suspension of out-of-state travel except with approval of the campus chief executive.

3. Establishment of policies limiting telephone service, printing and duplicating costs, and the use of outside consultants.

4. Cancellation by the campus chief executive officer of nonessential intercampus council and committee meetings.

Still other criteria included review of state-funded organizational memberships and reexamination of energy conservation procedures. Specific direction was given to reduce the 1974-75 line for Operating Capital Outlay by 15 percent.

The generally stated need for retrenchment became quite specific in mid-January when the governor ordered a 3.3 percent reduction of state general revenue spending. For the State University System, this meant that it had six months to reduce 1974-75 general revenue fund appropriations from $265 million to $256 million.

By mid-February the nine campuses had identified the adjustments required under the university system guidelines. To gain flexibility in meeting targeted cutbacks, the campuses requested transfers of funds among object-of-expenditure categories, and these were routinely approved by the university system to the extent of the 5 percent discretion allowed it under general state statutes. In some instances transfers of greater than 5 percent

were approved by the governor's budget office. The budget office, however, would not negotiate transfers from the Salary line to the Other Personal Services line in excess of 5 percent--apparently because it did not believe that such transfers were essential to achieve the mandated reductions.

The State University System gained some flexibility in the 1974-75 cutbacks because "special unit" budget entities had new but unfilled budgeted positions. For example, the University of Florida campus was able to "borrow" funds from a separately budgeted Institute and a Health Center during 1974-75--to be repaid, however, in 1975-76.

Although the 1974-75 retrenchment was accomplished within the university system by an across-the-board cutback in proportion to the formula-generated budgets, the campuses varied in the extent to which they internally allocated the cutback to areas such as libraries--for example, as opposed to deferral of equipment purchases.

The role of the budgetary formula during 1974-75 retrenchment was pervasive, but not explicit at the state level. It determined the extent to which the loss of specific faculty positions at the campuses resulted in specific dollar reductions.

Each position lost reflected an average salary by level of instruction and by disciplinary area.

The timing of the 1974-75 retrenchment did not permit the university system, had it so wished, to control or guide the programmatic decisions which may have been required at the campuses. The 1974-75 retrenchment did, however, give urgency and reality to the need for fiscal flexibility in meeting program objectives in the revision of the 1975-76 budget request.

Fiscal 1975-76

The State University System's 1975-76 budget request had been approved by the governing board in September 1974. In October the governor wrote to the chancellor of the system advising him that 1975-76 revenues were expected "to be somewhat below the current long-range projections."[6] Informal discussions supplemented the low-keyed letter and the chancellor alerted the campuses:

> It is with reluctance that I write this letter and I hope its contents are treated with discretion. The reluctance stems from the possibility of misinterpretation and unwarranted alarm. However . . . prudence dictates precautionary planning at this juncture.
>
> I request, therefore, that you take the following steps:

1. Prepare a contingency plan which will enable you to operate with no additional personnel and no additional money. That plan should contemplate increased costs in such areas as utilities and supplies without a corresponding increase in university income.

2. Prepare an alternate contingency plan which would visualize a ten percent reduction in number of personnel and operating funds.

3. Prepare a sequence of steps with timetables to take those actions beginning 1 May 1975 necessary to implement the plans on 1 July 1975.[7]

His letter requested contingency plans in broad outline by mid-December 1974. Campus chief executives were also concerned about unnecessarily alarming faculty and, for example, were unwilling to agree that the campus contingency plans should be in a standard budgetary format that would overemphasize what might be just a planning exercise. By late November, however, current revenue shortfalls pointed up the seriousness of contingency planning for the following year. The same letter from the governor's office that asked for unspecified cost reductions in 1974-75 also asked for revision of the 1975-76 request in quite specific terms:

In view of the economic forecasts for the coming fiscal year, Governor Askew also has directed me to begin contingency planning to develop the information necessary to reduce your 1975-76 budget request to the 1974-75 level of appropriation. To assist us in this effort, please provide me with a revised

summary of your 1975-76 budget request, identifying areas where such reductions can best be accomplished in order to allow you to carry on the essential responsibilities of your department.[8]

The governor's office asked that the revised request list expenditure proposals in priority order and that it be completed by mid-December. Because of the complexity and size of the university system and the number of options available to it, the governor's office agreed that its proposed revision could be delayed until alternatives were analyzed under the contingency planning already underway. The governing board, after review of staff analyses, selected an alternative which included an actual decrease in the number of positions funded in 1974-75.[9] The major reductions which it approved were:

Governing Board Approved Major Reductions, 1975-76

Item	Amount (in $ millions)
Eliminate all workload increases (except dentistry, USF Medical Center, Teaching Hospital)	$15.8
Eliminate all salary rate increases	(4.9)
Eliminate all other inflationary increases	30.7
Transfer of $8 million from operating capital outlay to operating expense to cover inflation	14.0
Eliminate all program improvements	-
Eliminate all new programs	11.4
Except: Solar Energy Center	4.1
EEO Plan	(1.0)
Increase average class size by additional 5%	(1.7)
Total	5.7
	$74.1

Over $4 million in additional reductions were to be achieved by delaying the opening of the veterinary medicine school, scaling down two special programs, and eliminating equipment purchases. In addition, the staff was directed to explore several other alternatives, including the following:

Alternatives for Reduction, 1975-76

Item	Amount (in $ millions)
Reduce first-time-in-college ceilings by 15 percent	$ .6
(Less loss of matriculation fees)	(.2)
Net	.4
Investigate three to five alternatives for increasing student fees	$1 to $6 million
Decrease number of out-of-state fee waivers	1.3
Eliminate summer operations at all laboratory schools	.2
Increase agricultural research productivity by 5 percent	1.0

The revised 1975-76 request under the governing board's recommendations would have meant the loss of 288 faculty manyears (a "manyear" is one FTE academic position on a four-quarter basis) and the elimination of a number of specific items across all nine campuses including outside consulting, faculty retraining, graduate fellowships, faculty recruiting, and travel allowances for teaching off-campus courses.

In January 1975, and because of funding uncertainty, the governing board had suspended the acceptance of new freshmen enrollment applications for 1975-76. This suspension was lifted in March following revision of the budget request and after the board approved increased tuition fees. Although tuition increases had been under study for some time, the increase in March appears attributable to the reduced budget expectations. Under Florida statutes, tuition policy in the State University System is announced by the governing board, and the policy automatically goes into effect unless the legislature acts to the contrary.

The governor accepted the recommendations of the revised system request without major exceptions. The request responded to his request for reduction primarily by: 1) a 5 percent increase in productivity factors in the funding formula, 2) restrictions on salary increases, and 3) very little recognition of inflation factors.

The legislature granted additional flexibility to the State University System by eliminating the line-item format and by appropriating funds for 1975-76 as a lump sum. The appropriations were also in accord with the State University System's

revised budget request. Although the legislature appropriated funds over the governor's recommendations sufficient to eliminate the need for the productivity increase, subsequent enrollment projections exceeded earlier ones and the system ended up in approximately the same position. The legislature, however, did appropriate funds for the operation of the formerly private New College--not an operation which the system considered of high priority.

In overall dollars and positions, the reallocations required under the 1975-76 appropriations bill were distributed among the nine campuses in an essentially across-the-board fashion. The legislature expressed intent in several instances about the ways in which funds should be expended, but in general the campuses were free to adjust to the funding provided according to their own program priorities.

INSTITUTIONAL PROCEDURES AND CRITERIA

Fiscal 1974-75

In mid-December 1974, the State University System froze employment at the campuses until major reductions in current personnel expenditure levels could be guaranteed as of the end of the fiscal year in June 1975. The 3.3 percent

reduction in the State General Revenue fund expenditures directed by the governor amounted to 2.6 percent of the total expenditures of the state university.

The 2.6 percent cutback was allocated across-the-board to the campuses based in proportion to their 1974-75 budgets, but the campuses had substantial discretion in their internal distribution of the reduction. Some cut back library expenditures, for example, while others deferred equipment purchases. One campus reported its internal allocation as follows:

Physical Plant	3.1%
Library	15.0%
Student & Administrative Services	2.8%
Instructional and Research	1.2%
Educational Resources	2.5%

> The plan which the University adopted had virtually unanimous support from all segments of the University community involved in its formulation and implementation. The net impact of this decision was clearly in our best interests at USF--the Instruction and Research function which represents approximately 70 percent of our total University budget for the current year was only required to contribute funding equal to approximately 30 percent of the overall reduction.

Normally, selective and differential allocation by the campuses would have been restricted by the line-item budget categories. However, the system chief executive recommended,

and the governing board approved, eliminating this restriction to meet the current year cutback.

Although the governing board approved this increase in flexibility, its discretion was limited by state law to transfer 5 percent of the budget line without approval of the governor's budget office.

The position of the historically black Florida Agricultural and Mechanical University was particularly difficult. This university traditionally has had a low turnover rate in personnel. Therefore, it has not been able to depend upon attrition to either reduce faculty or to increase the number of non-black faculty. The desegregation plan for this university calls for new programs--e.g., a school of architecture--to revitalize the campus. Although some portions of the desegregation plan were delayed because of retrenchment, the current primary effort--i.e., new programs at Florida Agricultural and Mechanical University--was not.

The time available for implementing the 1974-75 reduction was so short that the campuses had few options for selection of criteria. Although variations existed, the criteria for internal allocation of the cutback generally

focused on nonsalary items of expenditure, although a few were able to make use of vacant positions for savings.

Fiscal 1975-76

With a longer time frame, the campuses could have more options for responding to the projected level funding for 1975-76. But "level funding" had different implications for different kinds of campuses. The head of an older campus could detail possible reductions in two pages, stating in closing: "As difficult as it may be to absorb the increased cost of additional enrollment and inflation, it may be possible. However, there is no foreseeable way we can offset the increased cost of utilities from within the current base." On the other hand, the head of a newer campus was "initially inclined to respond with the following sentence--'It cannot be done.'" He did respond, however, in 25 pages, clearly stating the problems of new institutions during retrenchment in his opening:

> In my opinion, it is impossible for this institution to maintain the status quo which your instructions require. A "hold the line" budget (which is a much reduced budget when inflation and other fixed costs are considered) presents particular problems to a young, only partially-developed institution in a rapidly growing urban area. In fact, it presents extraordinary problems to a two-year old urban institution located in the fastest growing community in the United States. The fundamental problems are

> the lack of any reservoir of resources or any depth in program and program support areas. This institution has not had ten years or even five years, let alone the 100 years that many established institutions enjoy, to have acquired a library collection, well-developed facilities, an inventory of equipment, and a cadre of senior faculty.

Still a third submitted a contingency plan but emphasized his opinion that the formula allocation did not account for individual campus differences:

> The leadership of the State University System should bear in mind that the WICHE allocation model neither penalizes inefficiency nor rewards economy, in that historical data (rather than standards of performance) are used. In the current condition of total System enrollment exceeding legislated (and thusly, funded) enrollment, the next year's allocation model will not provide additional funding. . . . Achievement of standards, rather than the ebb and flow of historical data, should be the bases for computing positions and productivity.

More specifically, he pointed out that his campus spent more than $25,000 each year for travel to the system's offices, an expense not incurred by two other campuses.

Still a fourth campus head saw the experience of current year reductions as being beneficial to the contingency planning:

> In retrospect, I believe that all of us . . . have benefited from the painful but sobering experience of defining and implementing specific solutions to the problem of reducing our budget by approximately $1 million even though it occurred . . . after the institution had progressed six months into the current year. Prospectively, I believe that we will be better prepared to face the financial realities of next year as a result of our experience.

He went on to point out the need for program needs to take priority over the admittedly more humane and technically feasible solution on attrition:

> While it is possible to meet the current projected budget reductions for next year by using positions that become vacant through attrition and those currently vacant, the impact of such an alternative would place an uneven burden upon some of the programs and activities of the University. The reductions that would occur under this alternative would in no way reflect sound academic judgment as to program needs or priorities. In fact, it should be understood that such an alternative may severely cripple some of our programs and will significantly affect our ability to support some of our instructional, research, and service activities in the upcoming year.

Having given assurance that the revised target could be met by attrition if required, the campus head then set up a formal "Contingency Budget Planning Process for 1975-76" to be coordinated by a broadly representative task force of 18 members: ten faculty, four staff, and four students. The specific responsibilities of the task force were:

Identify, review and recommend specific policies and proposals to assist the University in developing its contingency budget plan for 1975-76.

Review college contingency budget plans, Council and Committee recommendations, the Vice Presidential and central administrative officers' plans and provide appropriate recommendations.

Raise issues not previously addressed.

Refer issues not previously addressed to the appropriate person, Council, Committee, or Vice President for review and consideration.

Review other issues brought to it from sources not identified in this proposal.

An internal memorandum of the State University System summarized the campus efforts to plan for the reduced level of funding in 1975-76 along the following lines:

1. All universities indicated that they could meet the proposed reductions through attrition of current employees, if combined with increased flexibility in budgeting.

2. Six universities specifically indicated that positions currently used for administration would assume instructional responsibilities to some degree.

3. All plans (except two) suggested that curricular offerings would be scrutinized in an effort to increase

productivity. Plans called for consolidation or elimination of small classes, review of courses mandated by degree requirements, and investigation of course sequencing which may be negatively affecting productivity.

4. Of those plans which were submitted in detail, two in particular indicated that considerable attention has been given to reducing costs in nonsalary areas. In general, the plans reflected a continuation of those actions undertaken at the time of revision of the 1975-76 budget request.

5. Three have all expressed concern over increased enrollment compounding the difficulty of a reduced budget.

6. The most consistent theme contained in all submissions was that effective operations would depend to a significant degree upon flexibility in budgeting procedures.

In general, contingency planning and the time available for it enabled the campuses to project and utilize personnel reductions in 1975-76, an option that was severely restricted in the mid-year 1974-75 retrenchment.

POSTSCRIPT: SPRING 1976

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In December 1975 it became necessary for the governor and the state cabinet to direct a 2 percent reduction in the general revenue portions of the fiscal year 1975-76 state agency budgets. The economic recovery of Florida had lagged the national recovery by about six months and, as a result, Florida tax receipts in the first months of fiscal year 1975-76 were less than had been forecast. The general revenue reduction amounted to a 1.7 percent overall reduction for the Educational and General Budget (E&G) of the State University System. The Board of Regents applied this reduction uniformly among the nine universities. There has been some revival in tax receipts since October, and no further reductions are expected during the current fiscal year.

In November, the chancellor of the State University System directed the formulation of plans to meet the contingency that revenues available to the system in fiscal year 1976-77 would be no larger than the revenues available in fiscal year 1975-76. This directive was prompted by the lag in tax receipts in the current year, a recognition that there is little

likelihood of an early increase in the tax base, and informal advice from legislators that the university system could expect to receive about the same appropriation next year as it received for this year. At the same time, it became clear that the legislature intended to provide a pay increase to state employees, inasmuch as no increase was allowed in fiscal year 1975-76. Thus, the university system was faced with the possibility of having to provide pay increases out of a stable budget. As would be expected, university administrators were reluctant to address this possibility. However, initial plans have been prepared, and the obvious conclusion is that significant salary increases would have to be financed in part by the involuntary termination of employees, unless revenues are increased.

Regarding layoff possibilities, as the fiscal crisis deepened a year ago, in the spring of 1975, the governing board asked its staff to prepare rules providing orderly procedures for terminating faculty in the event of retrenchment. Hearings on proposed rules were deferred, however, when it became apparent in late spring that it would not be necessary to use them. A year later, in the spring of 1976, the Board of Regents has not deemed it necessary to establish such rules or to declare "financial exigency."

(Postscript: Spring 1976)

Another outcome of the financial stringency is that the Board of Regents has considered the possibility of limiting or even reducing enrollments. The board has directed that fiscal year 1976-77 admissions be limited until the appropriation bill has been passed by the legislature, which usually occurs in early June. This move has aroused considerable opposition, but there is also some sentiment for the view that admission and retention policies in recent years have been too liberal.

During November and December 1975 and January 1976, the chancellor held 13 public "town hall" meetings throughout the state entitled, "Report to the People." Hundreds of citizens attended these, and through them the university system gained valuable insights of public expectations. It was also able to explain and discuss its own position in a forum less controversial than newspaper reports on budget hearings.

The fiscal year 1976-77 fiscal outlook for higher education in Florida is aggravated by the increasing needs of the health related programs within the State University System. A recently established second medical college has not reached its student capacity, the dental college is still growing, and the college of veterinary medicine will be enrolling its first

students in the fall of 1976. With only modest increases in general revenue forecast under the present tax structure, the financial needs of the medical units will impact on other university activities and on other state agencies.

The governor released his budget recommendations for fiscal year 1976-77 in early March 1976. The recommended budget is based on an estimated 9 percent increase in general revenue for the state. The E&G appropriation for the university system is scheduled for a 10.5 percent increase; however, the general revenue portion of the E&G appropriation is only 5 percent higher. Thus, the universities would receive less than a proportionate share of the increase in state general revenue and would become increasingly dependent upon tuition and miscellaneous income. A summary of the fiscal year 1975-76 E&G budget and the governor's recommendation for fiscal year 1976-77 is as follows:

(Postscript: Spring 1976)

1975-76 & 1976-77 State Funding by Source
Educational and General (in $ millions)

	1975-76			1976-77	
Fund source	Appropriation	2% Reduction	Net	Board's recommendation	Governor's recommendation
General revenue	$186	$4	$182	$250	$191
Tuition and other income	65	0	65	74	82
Total	$251	$4	$247	$324	$273

The governor's recommended budget provides for a 7 percent salary adjustment for faculty and professional employees. This modest increase will compensate for anticipated inflation during the coming year, but will not be a step toward restoring faculty and administrative salaries to the competitive position they held in 1972-73.

Both houses of the legislature are actively participating in the budget process. Appropriation committees have been meeting since January and the formal 60-day session will be convened in early April, and it is possible that the appropriation bill that

is finally passed will differ considerably from what the governor has recommended. However, the legislature will be constrained by the total amount of general revenue available, as was the governor.

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MICHIGAN:
University of Michigan

OVERVIEW AND CAUSES OF RETRENCHMENT

Retrenchment in Michigan can be characterized by a recent history of relatively minor but cumulatively significant limitations on expenditures. These were compounded by a substantial reduction in the rate of growth of appropriations for 1974-75, by inflation, by a state revenue shortfall, and finally by a mid-year limitation on the expenditure of appropriated funds. Retrenchment criteria and procedures in 1975-76 are related to the events in 1974-75 and shape planning for 1976-77. From the point of view of the University of Michigan, retrenchment has meant that internal across-the-board reductions which sufficed in the past have had to be replaced by selective and differential reductions. Four major difficulties are experienced in understanding the situation in Michigan. First, the executive budget office and an active legislature use different budget formats and differently organized information. Second, in late 1974 and early 1975, retrenchment applied to three separate budget years, and it is difficult to isolate specific procedures or criteria for a particular year. Third, budgetary documentation is vague

in specific dollar impacts of retrenchment. Finally, the constitutional status of the senior institutions appears to limit the direct impact of statewide criteria--other, of course, than as a dollar reduction of support.

For the six years prior to 1974-75, state appropriations for higher education increased by over 10 percent each year with only one exception (1971-72). They increased by only 7.8 percent in 1974-75, a time when support from tuition and other sources was also predicted to be at a low point. The increase for 1975-76 was 5.7 percent. The governor's budget message for 1974-75 presaged retrenchment, noting the possibility of energy shortfalls, general economic uncertainty, and the expectation of considerable slowing of economic and revenue growth. In April 1974 he noted that state general purpose operating expenditures for 1974-75 would increase less than one-half the average annual percentage of such increases over the prior ten years. In October 1974 the governor asked all agencies to institute budgetary savings to avoid a 1974-75 deficit, and in December 1974 implemented this request by an executive order limiting expenditures. In March 1975 the governor noted that the recession was particularly severe in Michigan with a serious impact on revenues. In 1975-76 the appropriation for four-year or more colleges and universities ($447.4 million) was $25.6 million less than would

be required just to maintain the level of operations funded in 1974-75, assuming the 12 percent inflation of the period. In general, two-year campuses were subject to the same reductions as the senior campuses. Although shortfalls in state revenues are the primary factor in retrenchment, these have been compounded by indications of stable enrollments since 1971-72, and by a pervasive feeling that college graduates cannot find jobs in the current market.

HIGHER EDUCATION GOVERNANCE AND COORDINATION

There are 13 separately governed state colleges and universities in Michigan. In 1975-76 they are expected to enroll 230,000 students (headcount). Three institutions are complex, research universities. Five are largely undergraduate and, with one exception, were originally teacher education institutions and continue to place significant emphasis on teacher education both at the graduate and undergraduate levels. Two institutions have specialized missions, one in engineering and science and the other in vocational-technical programs. Three institutions (and two branches of the University of Michigan) are smaller developing undergraduate colleges with a liberal arts emphasis.

Planning and coordination of public higher education, including advice to the legislature on financial requirements, is

a constitutional duty of the State Board of Education. It has not, however, played a significant role in the state budgetary processes generally, nor in retrenchment in particular.

Between 1970 and 1974, public higher education in Michigan grew at a rate of 16.9 percent compared to a national average of 22.7 percent.[1] The bulk of this growth, however, was in the two-year colleges, and full-time-equivalent enrollment in the senior institutions has remained virtually constant.

No other state has as many institutions with constitutional status, and in none has this status been more jealously guarded against state governmental intrusion. In October 1975, the Michigan Supreme Court upheld, in substance, the contention of the three major universities--the University of Michigan, Michigan State University, and Wayne State University--that recent legislative appropriation bills unconstitutionally limit and interfere with their power to supervise and to control and direct the expenditure of the institutions' funds.

Private higher education, enrolling about 14 percent of the students in 1974-75, grew 4.4 percent.[2] Michigan is one of only eight states--including New Jersey and New York in this

study--with general programs of institutional aid to all private institutions.[3]

STATE BUDGETARY PROCESS

Michigan has an annual budget cycle with fiscal years beginning each July 1. Institutions submit separate requests to the governor's office in October. Budget hearings are held by the executive budget office in November for staff to question and clarify requests. Institutional heads meet with the governor in December to review preliminary recommendations prepared by the executive budget office and to suggest changes, and the governor's budget is submitted in mid-January. Legislative hearings usually begin in February, but the appropriation is rarely enacted before the beginning of the fiscal year. The 1975-76 appropriations act was signed on September 10, 1975. In the past, the governor's office has advised the institutions of the total size of the budget and of his salary and other cost policies. In 1975, the governor gave target figures for each institution for 1976-77 based on revenue estimates and percentages of his 1975-76 budget recommendations.

The governor's budget is in program form, using a modified WICHE/NCHEMS Program Classification Structure. Instruction is grouped by the HEGIS discipline categories. However,

recommendations for changes are summarized by the governor according to "Economic Changes" comprised of compensation increases, cost adjustments, and "Program Changes" which may include enrollment changes as well as academic and administrative programs. The legislative budget bill is in a substantially similar format except that instruction appears by organization rather than by HEGIS discipline categories. To support its organizational categorization, the legislature requires institutions to submit budget requests in line-item format. The legislature utilizes the organizational format of the budget bill as a summary for tracking institutional expenditures. The executive budget office has expressed serious concern over the duplication of effort:

> Lack of acceptance on the part of the Legislature of established executive bill structures results in a requirement upon agencies to prepare the budget anew in legislative format. When both fiscal agencies pursue their own end in this regard, the result is a serious undermining of executive authority. Double budget systems, conflicting common information bases, conflicting appropriation--organization--program structures all result in mass confusion which makes communication and understanding nearly impossible.[4]

The "mass confusion" with which the budget office is concerned has been compounded in the retrenchment activity, as institutions have been called upon for multiple reallocation plans.

STATE-LEVEL PROCEDURES AND CRITERIA

Although our major interest is in the 1975-76 budget year, both the prior year and the succeeding one must be discussed because of the state's explicitly incremental budgetary process. The 1975-76 budget was built on adjustments to the 1974-75 budget base. In turn, it is the basis for 1976-77 budget planning. The 1975-76 budget was signed by the governor in September, over two months after the beginning of the fiscal year. It added $25.2 million to the 1974-75 base of $422.2 million. Under executive office guidelines, however, compensation, other cost increases, and some enrollment growth would require $42.2 million, forcing the institutions to reallocate about $17.1 million to carry forward essentially the same level of programs. The amount of the required allocation grew sporadically as revenue estimates fell--a probably unavoidable uncertainty. However, this uncertainty was compounded by the unwillingness--perhaps inability--of state agencies to state clearly and explicitly the impact of any one of the revenue estimates on the budget.

1974-75 Budget Year

1974-75 Governor's Budget

Explicitly incremental, the governor's budget recommended increases over the 1973-74 base in two categories: "Economic Changes" to maintain the level of current activity, and "Program

Changes," including enrollment changes, to increase or reduce that level:

Economic changes	
Compensation increases	$26.2 million
Noncompensation adjustments	5.5
Utility costs	2.1
Program changes	
Enrollment	.09
Operation of new facilities	.7
Medical programs/continued expansion	3.8
Academic programs	1.6
Travel decreases	(.7)
One-time decrease	(2.4)
Total changes	$36.9 million[5]

The recommended decrease in travel of $.7 million represented a 15 percent reduction in travel applicable to all state agencies. The recommended "one-time decrease" of $2.4 million reflected executive office acceptance of legislative designation that the prior year's level of funding for equipment and special maintenance would not be needed in the current year. It should be noted that "Economic Changes" were both detailed and justified in the narrative.

1974-75 Legislative Appropriation

The legislative budget bill increased the governor's budget recommendations by some $2.8 million. In general, the

legislature increased program funding at the expense of the "economic factors" and by selective program reductions. In a memorandum from legislative fiscal agencies,[6] funding policies which supported these changes were stated as follows:

1. Funds are assigned to specific operating units (line items to schools and colleges);
2. Only on-campus enrollments are funded (off-campus activities are to be self-supporting);
3. Out-of-state students are to be limited to 20 percent by school and college and to be charged fees equal approximately to 75 percent of the cost of instruction;
4. Maintenance projects in excess of $25,000 are to be managed by referral to executive or legislative agencies;
5. Alumni programs are to be self-supporting;
6. New degree programs are to be funded only after authorization by the legislature;
7. Funds with a one-time expense characteristic are to be deducted; and
8. Fixed-cost payments are to be excluded from inflation adjustments.

These legislative directions were not directly enforceable in allocations in the budget bill, but constituted policy direction to the institutions which the legislature would take into account in reviewing expenditures.

1974-75 Reduction by Executive Order

In December 1974 the governor, by executive order, called for a 2 percent reduction in the operating appropriations of all state agencies except the Department of Corrections.[7] For institutions of higher education, the reduction was stated to be 1.5 percent (about $6.4 million) rather than 2.0 percent in recognition of their labor intensive operations. The executive order transferred appropriated funds from each institution to the unappropriated balance of the state general fund as of June 30, 1975.

1975-76 Budget Year

1975-76 Governor's Budget

It is virtually impossible to simplify the procedures by which the Michigan executive office reached its ultimate recommendations for higher education. An attempt to explain these is useful, however, for they epitomize the complexity that can lie behind the public announcement of a "4 percent reduction." As definitions and computations change rapidly with the latest revenue estimates, it becomes extremely difficult for senior administrators to explain state action to their faculty and the public.

1. In October 1974 the governor, by letter to each institution, gave a 1975-76 planning target based on a 4 percent

reduction in the 1974-75 net state appropriation. Individual dollar targets were given.[8]

2. In December 1974 the governor, by executive order, reduced the 1974-75 appropriation by approximately 1.5 percent or $6.4 million, as noted above.

3. The governor's 1975-76 budget submitted in January 1975 recommended an increase over the 1974-75 base of $31.5 million, of which $1.0 million was explained in detailed program changes. Unlike the prior year's budget, however, "Economic Changes" of $30.5 million--called "Economic, Enrollment, and Fiscal Adjustment Changes"--were neither detailed nor justified in the narrative. The only mention of 4 percent reduction was a single sentence: "In addition, reductions of approximately 4 percent have been reflected from the level of the 1974-75 enacted budget." The introductory fiscal summary by institution did not refer to the earlier 1.5 percent reduction of the 1974-75 appropriation. The 1.5 percent reduction was, however, allocated both in a statewide program summary and in the campus program details as an additional item among the usual modified PCS programs.[9]

4. Earlier informal discussions with the executive budget staff, and a worksheet from it in February, advised each

campus separately of the details of the "economic factors"--the increased costs of maintaining programs at the 1974-75 level. These appeared to total $42.2 million based upon the worksheet provided the University of Michigan:

	All institutions	U. of Michigan
Compensation, a 5.6 percent increase	(Not detailed)	$6.7
Noncompensation, a 5.0 percent increase		1.5
Utilities		.8
Enrollment		.5
Total	$42.2 million	$9.5 million

5. In the governor's budget, therefore, *the dollar amount* of the 4 percent reduction was not explicitly stated either on a statewide basis or by institution. It was derived from the difference between the recommended details of the "economic factors" which do not appear in the budget and the dollar amounts actually recommended, reduced by the earlier 1.5 percent reduction.

	All institutions	U. of Michigan
Unstated economic factors	$42.2	$9.5
Actual recommendation	31.5	7.1
2.5% difference	10.7	2.4
1.5% difference	6.4	1.5
4.0% reduction	$17.1 million	$3.9 million

For the University of Michigan, therefore, although $9.5 million would be required in 1975-76 to maintain program levels, only $7.1 million additional funding was recommended. Of this $7.1 million, $1.5 million simply replaced the earlier 1.5 percent reduction so that it could be incorporated into the 4 percent reduction. The balance of $5.6 million was new state funding for programs which would in fact require $9.5 million. Reallocation of $3.9 million would be required.

1975-76 Governor's April Revision

In April 1975, by letters to the legislative leadership[10] and to the institutions,[11] the governor recommended a further reduction. The brief letters schedule by institution the dollar amounts of the further (but not the total) reductions proposed, and refer to them in three different ways:

1. As an additional reduction of approximately 2 percent of the 1974-75 *net* budget base for *all* institutions (e.g., state funds but not tuition or other income).

2. In conjunction with the 4 percent reduction already reflected in the governor's budget, as an approximate 6 percent reduction of the 1974-75 *net* budget base for *all* institutions.

3. In conjunction with the 4 percent reduction on *net* already reflected in the governor's budget, as an approximate 4 percent reduction of the *gross* budget of *each* institution.

Computation of the further reduction for each institution did not in fact reflect any of these explanations, but rather was determined by the difference between 4 percent of the gross 1974-75 budget and 4 percent of the net 1974-75 budget. Although the final result was an overall 2 percent further reduction for all institutions, the impact was greater on institutions with relatively higher revenues from sources other than state support. A major research university, for example, may charge higher resident tuition than do the other schools, and even higher tuition for a greater number of nonresident students. It may also derive greater revenue from reimbursement for the indirect costs of extramurally-funded research. The differential impact can be illustrated by an example:

1974-75 Budget (in $ millions)	All institutions	University of Michigan	Western Michigan University
1974-75 Gross	$634.6	$156.8	$47.3
Less: Tuition	(Not detailed)	(46.9)	(13.8)
Other revenue		(14.2)	(1.1)
Subtotal	212.4	61.1	14.9
1974-75 Net	$422.2	$95.7	$32.4
April Revision			
4% Gross less 4% net	$8.5	$2.4	$0.6
As percentage of 1974-75 net	2.0	2.5	1.8

These revised recommendations of the governor reached the legislature after institutional hearings and did not appear to influence final committee recommendations. It should be noted that in these revisions, as in the governor's budget itself, the dollar amount of total adjustments being made is not explicitly stated.

1975-76 Legislative Appropriations

The legislature appropriated an incremental increase of $25.0 million, $6.5 million less than the original recommendation in the governor's budget, but some $1.9 million more than in his April 1975 revision. The legislature added several items to tighten up appropriations.

1. Financial-aid monies for medical and dental students were transferred to the language section of the appropriations bill and made conditional upon "formal agreements to practice medicine in the State of Michigan for five years immediately following completion of their medical or dental resident training";

2. A 10 percent reduction in entering classes of colleges of education was to be implemented beginning in the 1976-77 fiscal year;

3. Institutions were directed to "cooperatively develop a self-insurance pool plan for the purpose of financing for direct loss to real and personal property . . . and for medical malpractice";

4. Appropriations increases for utilities were replaced by an "intent" language section with allocation conditional upon audit by the auditor general; and

5. A ceiling was placed on enrollments which would be funded in 1975-76.

The exact dollar authority for expenditures for 1975-76 was in doubt as the appropriations bill emerged from conference

committee. In the closing days of the legislative session in mid-August, and at the urging of the governor, general revenue appropriations were reduced by 1.0 percent--from $476.3 million to $471.5 million. (The proposed appropriation actually amounted to $472.8 million: $1.3 million appeared in "boilerplate" appropriations in the language section of the bill, half for support of a skill-center program in northern Michigan, and the balance to six named institutions for off-campus instruction at service installations and prisons and for financial aid to medical and dental students.)

Additionally, as revenue projections continued to dim, the legislature qualified its appropriations with the following language:

> Of the general fund amount contained in this act each amount shall be reduced by the Department of Management and Budget by .5 percent in order to equal the amount of estimated revenue as reflected in House Bill No. 4439 of the 1975 regular session of the legislature.[12]

In late August and before the appropriations bill was signed by the governor, the executive budget office notified all state agencies of its intent "to make an additional one percent reduction to establish a contingency fund to meet later revenue

deficiencies."[13] In a ruling requested by legislative leadership, the attorney general indicated that this additional one percent reduction was an unconstitutional exercise of gubernatorial authority. But not until after the 1975-76 appropriations bill was signed by the governor on September 10, 1975, over two months after the beginning of the fiscal year.

In signing the appropriations act, the governor exercised his power of line-item veto to remove $1,597,600 in program funds at two institutions ($1,136,600 may be restored by supplemental appropriations since only several hundred thousand to start a new college was the disapproved item). He also vetoed language sections which would have provided funds for fire and police services on contract with local municipalities and for reimbursement of increased utility costs. This latter provision is a necessary expenditure and is projected to require five to ten million new dollars for all state institutions in 1975-76. Although not vetoed, medical and dental education were noted as having received disproportionate increases in appropriations.[14]

On September 25, 1975, within a few weeks after the appropriations act was signed, the executive budget office issued a warning letter saying further reductions would be needed in 1975-76, and urging discretion in expenditures.[15]

1976-77 Formulation

In October 1974, when the governor originally proposed a 4 percent reduction of the 1974-75 state appropriation as a target for 1975-76, he also proposed a ceiling for 1976-77 of 103 percent of his 1975-76 recommendation. In late April 1975 (after his revised recommendations for 1975-76) the governor revised the 1976-77 targets from 103 percent to 97 and 92 percent of the 1975-76 recommended levels:

> Consequently, my budget policy for 1976-77 specifies a target level of 97 percent of the current operations portion of the fiscal year 1975-76 recommendation for each department plus an alternative target of 92 percent. This additional level is designed to identify the sensitivity of program impact to varying levels of support and isolate the program and policy priorities. The two target levels are exclusive of economic factors.[16]

Thereafter, in May 1975, the executive budget office provided "Target Management Plans" forms to implement budgetary planning for 1976-77. In substance, these forms called for the allocation of the 97-92 percent target among the program subcategories (i.e., the HEGIS-WICHE/NCHEMS program categories and HEGIS discipline subcategories) with justification in terms of "Need/Demand," "Outputs," and "Resources" for each subcategory.

Resources included full-time-equivalent positions for faculty, administrative, and service personnel. An example of the "Resource and Performance Data" required was given in the memorandum:

> Social Sciences, etc. (SCU); Liberal Arts (CC/JC)
>
> Need/Demand = COURSE DEMAND--i.e., number of students desiring to enroll in social sciences or liberal arts courses, taught by qualified faculty, with specified credit hours and contents.
>
> Outputs = COURSE SUPPLY--i.e., number of credit hours of social sciences or liberal arts courses with specified contents, taught by qualified faculty, provided to students.
>
> Note: Data may be broken down by class levels if desired. At institutions whose records do not include students turned away at registration, past need/demand and outputs will tend to match. For target budget management plans in which the institutional responses include cutbacks in outputs (quantity, or specified quality aspects) shortfalls then will appear in relation to given need/demand.[17]

The "Target Management Plans" were to be submitted by July 31, 1975, with the intent that all parties to the budgetary process would have a greater opportunity to review programmatic priorities without being diverted by the attention to minute fiscal details. In his April letter, the governor stated the rationale behind the management plans, as follows:

> Last fall's experience in developing my fiscal year 1975-76 budget convinced me that the development of agency requests in the context of target levels of available resources leads to more relevant analysis and discussion than the more open-ended request policy of the past several years. The target process allowed us to concentrate our efforts on the major concerns facing each of you in the context of feasible funding levels and heightened the real nature of the tradeoffs that face decisionmakers in the budget process. It is my belief that the criticisms of the fiscal year 1975-76 budget development process acknowledged earlier in this statement are constructively dealt with by a policy and process that provides sufficient lead-time to analyze the programmatic implications of meeting varying target levels.[18]

INSTITUTIONAL PROCEDURES AND CRITERIA

1975-76 Budget Year

In early 1972 the University of Michigan established three committees to extend planning and budgeting: 1) Long-Range Planning, 2) Program Evaluation, and 3) Budget Priorities.[19] Each had key administrative, substantial faculty, and some student representation. The committees were subsumed under the title "Office of Budget and Planning," but by 1975 it had not yet been integrated into the formal administrative structure. A notable contribution of this structure was made by the Budget Priorities Committees in advising on the reallocation of the 4 percent reduction--about $4.0 million--of the 1974-75 budget base for 1975-76.

The responsibility for budget cutting fell to the vice president for academic affairs, who serves as chairman of the Committee on Budget Administration. The process began in December 1974 after the governor's office outlined the 4 percent reallocation.

For several years the university had been faced with annual one to three percent reallocations in the form of cutbacks, recommended productivity increases, and the necessity to achieve a balanced budget with a reasonable compensation program. These internal reallocations were across-the-board, for the most part, and cut nonpersonnel expenditures to a bare minimum, cannibalized unfilled positions, and delayed appointments. By late 1974, these techniques were inadequate and unpopular, and a process designed to produce differential cuts was required.

The general criteria established by the Committee on Budget Administration were to: 1) preserve the central mission programs; 2) weigh heavily the budget unit proposals for cuts; 3) seek equity; 4) maintain enrollments, minority programs, and financial aid; 5) nonpersonnel expenditures cuts to be proposed only by prior consultation in exceptional cases; and 6) maintain quality.

Each dean and major budget-unit head was scheduled for a hearing with the vice president. At the hearings, proposals were to be made for three increasingly severe types of reductions: 1) 1 percent of the 1974-75 gross base; 2) 1 percent of reduced 1974-75 base; and 3) further cuts of 0.5 percent, 1.0 percent, 1.5 percent, and 2.0 percent.

The hearings were attended by vice-presidential staff members, Budget Priorities Committee members, and budget unit staff. Analytical information was provided by the Office of Academic Planning and Analysis (the former Office of Institutional Research).

The more specific criteria established by the Committee on Budget Administration were:

a. Units whose mission is most directly linked to the overall combined instructional-research role of the University will receive a higher priority than others less closely identified with that role.

b. The following relationships will be closely examined for each teaching unit:

   1. Instructional workload per FTE faculty member in comparison with peer institutions, and relative distribution of teaching by level (e.g., freshman, graduate, etc.).

   2. Number of support staff per FTE faculty.

3. Nonsalary support for faculty.

4. The pattern of Extension and Term III teaching, 9- and 12-month appointments, and teaching compensation arrangements.

5. Number of graduate students in relation to what are regarded as optimum enrollments.

6. Other significant information which each unit may wish to provide.

c. Comparable data on cost-effectiveness will be required for all noninstructional units.

d. Units with effective long-range plans and review procedures will be given fuller consideration in proposed budget reductions than those with no such plans. Where possible, "loans" may be made to units with long-range plans to facilitate significant budget reductions.

e. Units performing a major function in the program of other academic units will receive a higher priority than other units.

f. New programs or program improvements requiring new dollars will be deferred and/or given low priority unless there are compelling reasons for their early implementation.

g. Units should consider the following possible personnel actions:

   1. Selective freezing of unfilled positions and positions replacements.

   2. Making faculty replacements only at the Assistant Professor level.

h. Review will include consideration of earlier budget reductions in units and also the contribution of each unit in generating funds from external sources.

i. Particular attention will be given to areas of possible duplication of effort.[20]

By early February 1975 the procedure had been completed and differential cuts prepared for about 140 budget units under approximately 25 deans or major unit heads. Units were classified roughly as minimum cut (2 percent), moderate cut (3 percent), and maximum cut (4 percent).

Minimum .....9 units
Moderate .....10 units
Maximum .....119 units

Administrative support areas were generally given maximum cuts except, for example, utilities accounts. Minimum and moderate cuts tended to be in the academic units--the 16 schools and colleges. In making these differential allocations, the University of Michigan often relied upon comparisons with similar instructional units in other major universities as indicated in the paraphrased quotation from an internal memorandum:

> On the basis of an analysis (admittedly several years old) of schools of _____ at five, named major universities, the school at the University of Michigan is in a relatively good position to absorb maximum budget reduction. Its student-faculty ratio and teaching loads were light compared to other schools, and its funding per student better than all other peers except two.

In other instances, the university recognized the ability of units to absorb current cuts through the use of other than state funds. In one such instance, however, longer-term considerations prevailed:

> In the short run, the school could absorb a maximum cut by shifting a greater share of expenses to non-General Fund sources. However, the stability of those sources is questionable, and retirement of _____ makes it imperative that the General Fund operation base be preserved to attract the best possible leadership and provide it with maximum support.

By late February 1975 the apparent severity of state appropriations cutbacks was such that the Board of Regents endorsed a freeze on expenditures. Requests for exceptions were processed by the Committee on Budget Administration. This procedure was effective and yet allowed essential operations to continue.

1976-77 Budget Year

The university responded to the requirements for cutbacks for 1975-76 through procedures resulting in selective and differential reductions. On the other hand, the university's initial response to the governor's request for "target management plans" for 1976-77 projected internal, across-the-board reductions

which would require staff layoffs and enrollment reductions. In presenting the across-the-board plan, the university noted its tentative nature:

> The management plans we are submitting "deliberately avoid fiscal detail." We have tried to create an overall picture of the implications of each plan upon our programs. We ask that you regard it as, at best, a fairly accurate illustration of a possible outcome of the 97 percent and 92 percent budget targets. Were such reductions to become a reality, the actual process would involve much more input from the university community and consider more alternatives and specific courses of action than can adequately be presented in the management plan format. A serious problem in any action is the lead time required in making personnel changes, especially in units that would be forced to reduce tenured faculty.[21]

POSTSCRIPT: SPRING 1976

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This postscript adds developments of the period October 1975 through March 1976 to the case study.

Fiscal 1975-76

The September 25, 1975 warning letter from the executive budget office became substantive when the governor issued Executive Order 1975-11 on October 29, 1975. Some $7,471,860 was proposed for operational cuts from selected higher education institutions and programs. The University of Michigan was assigned a reduction of $1,623,360 or 1.5 percent of its appropriation. The recommended reductions were selective, ranging from zero to eight percent by institution or program.

This executive order was rejected by the legislative appropriations committees and a process of negotiation began between the executive and legislative branches. A politically palatable order then followed on December 9, 1975, Executive Order 1975-12. The amount of reductions was essentially the same ($7,510,250), but the distribution among institutions and

programs had been changed significantly as the table on the following page shows.

The extent of selective reductions recommended by the executive budget office departed from prior practice with respect to both higher education and other state services. Criteria for the final differential reductions were not made explicit and appear to be the result of political negotiation.

Fiscal 1976-77

Annual meetings with the executive budget office staff and the governor, as outlined in the case study, were held in November and December 1975, respectively. The tenor of these discussions was "times are hard" and "it looks like a standstill budget for 1976-77." Executive budget recommendations were late: They were not known in general until February; details were not published until early March.

(Postscript: Spring 1976)

Comparison of Fiscal 1975-76 Executive Order Reductions

Institution or program	October recommendation	December recommendation
Central Michigan University	$ 363,389	$ 400,000
Eastern Michigan University	700,000	300,000
Ferris State College	248,241	0
Grand Valley State College	0	160,000
Institute of Gerontology	47,840	50,000
Lake Superior State College	200,000	50,000
Lake Superior Institute	149,250	149,250
Michigan State University	0	1,230,000
Agricultural Experiment Station	0	200,000
Cooperative Extension Service	0	100,000
Michigan Technological University	500,000	175,000
Northern Michigan University	700,000	175,000
Oakland University	248,551	250,000
Saginaw Valley State College	300,000	50,000
The University of Michigan-Ann Arbor	1,623,360	1,600,000
The University of Michigan-Dearborn	108,838	110,000
The University of Michigan-Flint	79,935	100,000
Upper Peninsula Health Planning	6,933	8,000
Wayne State University	1,341,816	1,350,000
Western Michigan University	750,707	500,000
Grants for Michigan Resident Allied Health Profession Graduates	53,000	53,000
Grants for Michigan Resident Dental Graduates	50,000	0
Grants for State Competitive Scholarships	0	500,000
Total	$7,471,860	$7,510,250

(Postscript: Spring 1976)

The executive recommendations were essentially "stand-still" in terms of institutional appropriations although the total increased $7,078,218. Examination of the "increase" shows approximately:

State administered financial aid	$4,000,000
Operate new facilities	2,000,000
Restore vetoed program funds	1,000,000
Deduct "so-called" one-time funds	(1,000,000)
Enrollment at developing institutions	500,000
Miscellaneous	500,000
Total	$7,000,000

Legislative actions appear to be moving promptly as institutions have been scheduled for hearings in March 1976. The legislature has passed a resolution calling for all work to be completed on budget bills by June 18, 1976. Institutional hearings are being conducted before joint House-Senate appropriations Subcommittees on Higher Education. As noted above, the "election year" factor is prominent. Legislators speak of the need to raise taxes later, the need to project and stabilize revenues for higher education in the future, and the need to develop a formula for funding. Of necessity, the focus is on principles and procedures as there is no money to carry forward the process at the present time.

(Postscript: Spring 1976)

The University of Michigan is preparing for the 1976-77 fiscal year with budget conferences conducted by the Vice President for Academic Affairs along the same lines as were followed in early 1975. He has asked units to explain how they would accommodate a 3 and 5 percent reduction in base budgets.

Key components in the institutional budget equation have been identified--state appropriations, tuition, base budget reductions, compensation program, and unavoidable new expenditures. Each component contains much uncertainty. Appropriations appear to be for a standstill level, but this is uncertain due to rumors of further reductions in 1975-76 and plans to extend the fiscal year. Tuition is relatively high in general comparisons; and although it seems reasonable that a 5-10 percent increase is in keeping with state and national trends, the policy position of the Board of Regents is undetermined. Base budget reductions for units are being evaluated, but it is clear that quality programs will be damaged by 3-5 percent cuts. Five union contracts are to be negotiated in 1976; several negotiations are in process and will result in a system minimum for compensation increases. The unavoidable new expenditures come in increased costs of items such as social security taxes, utilities, and health insurance.

(Postscript: Spring 1976)

Although not directly related to retrenchment, another unknown at the present time is the governor's recommendation for a constitutional amendment to create a new State Board of Higher Education. His State of the State message in January 1976 indicated a belief that such an agency would result in "improved planning and coordination."

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NEW JERSEY:
New Jersey Department of Higher Education

OVERVIEW AND CAUSES OF RETRENCHMENT

During fiscal 1974-75, public higher education in New Jersey absorbed approximately $7.1 million in increased energy costs and salary increases largely through delaying equipment and book purchases, deferring maintenance, and leaving positions vacant. In January 1975, moreover, the executive budget office required that the coordinating agency, the Department of Higher Education, plan for a $6.1 million reduction in the expenditure of funds appropriated for 1974-75. This reduction was not in fact implemented, but the reserve of $6.1 million established to meet it was not released until June 1975, and state purchasing procedures precluded full utilization of the funds. The emerging fiscal crisis in fiscal 1975-76 found higher education operations already constrained by the events in fiscal 1975.

The governor's 1975-76 budget in February 1975 called for a small increase in total state operating expenditures and a substantial increase in state aid to public schools. But projected 1975-76 state revenues fell short of proposed

expenditures which included both implementation of a State Supreme Court mandate regarding funding of elementary and secondary schools and proposals for property tax reform. The shortfall was approximately $900 million. To meet this gap, the governor proposed the imposition of a graduated personal income tax. The higher education operating budget, along with those of other state agencies, became a pawn in the broader dispute between the governor and the legislature over the imposition of the income tax. The final result was an appropriation for higher education approximately 12 percent below the Board of Higher Education's recommendation and five percent below the fiscal 1974-75 base. Allocation of specific reductions was negotiated between the Treasury Department's Division of the Budget and the Department of Higher Education, a statewide coordinating agency with budgetary responsibility. Department policy was to allow maximum discretion to the campuses in their internal allocation of reductions. It did monitor their plans, however, and provided statewide guidelines for faculty layoff procedures.

HIGHER EDUCATION GOVERNANCE AND COORDINATION

There are 12 senior public institutions in New Jersey, each of which has a separate governing board. Rutgers, the state university, is a large, formerly private, research-oriented university. There are eight state colleges which share similar

missions. Six of these developed from teacher-education institutions and two--Stockton and Ramapo--were established in 1969. There is also an external degree institution: Thomas A. Edison College of New Jersey, which is organized as a state college. The New Jersey Institute of Technology, formerly the Newark College of Engineering, offers primarily engineering and architecture programs. In addition, the New Jersey College of Medicine and Dentistry includes two public medical schools, one dental school, and some allied health programs.

There are 17 two-year community colleges jointly funded by the state and the counties. State funding is on the statutory basis of $600 per FTE student. Prior to fiscal 1975-76, the excess of actual enrollment over projected enrollment used for computing the prior year's appropriation was retroactively funded. The Department of Higher Education considered this after-the-fact funding as an essential factor in providing substantial open access. Retroactive funding was not provided in fiscal 1975-76, however. Although actual fiscal 1974-75 enrollment totaled 66,400 FTE students, the appropriation provided for only the budgeted 53,129, and legislative intent was explicit:

> It is the intent of this appropriation to fund a total enrollment during the 1975-76 fiscal year of 53,129 equated full-time students and no adjustment shall be payable in future fiscal years to compensate any County College for enrollment in excess of its proportionate share of the said amount.[1]

The Department of Higher Education, a statewide coordinating agency with budgetary authority, is one of the 18 principal departments of state government. As a coordinating agency, the department appears unique in that its administrative head, the chancellor, not only sits as a member of the governor's cabinet and serves as a member and secretary of the Board of Higher Education, but also is a statutory member of other boards or groups including the governing boards of Rutgers and the medical-dental school, the Council of State Colleges and the Council of County Colleges, the State Scholarship Commission, the Educational Opportunity Fund Board, the Educational Facilities Authority, and the State Board of Medical Examiners. The complexity of the chancellor's professional role is compounded by the differential authority of the board over institutions. It has limited statutory authority in the case of the university, the technical institute, and the community colleges; but substantial administrative control over the nine state colleges.

In the fall of 1974 the enrollments of the various institutions differed markedly.

New Jersey Higher Education Enrollments, Fall 1974, Headcoun.

Institutional sector	Undergraduate		Graduate	
	Full-time	Part-time	Full-time	Part-time
State University	23,856	8,801	3,566*	7,021*
State Technical Institute	2,647	1,491	134	881
Eight state colleges	47,596	21,306	684	9,351
Two-year public colleges	36,017	40,823	na	na
Four-year private colleges	32,918	12,481	3,295	8,419
Two-year private colleges	918	423	na	na
Total public	110,116	73,353	4,448	17,275
Total private	33,836	12,904	3,295	8,419
Total	143,952	86,257	7,743	25,694

*Does not include students at two law schools.

Between 1970 and 1974 enrollment in public higher education institutions in New Jersey grew by 42.3 percent--almost twice the rate of national growth. In sharp contrast, enrollment in the private sector declined by 4.7 percent in New Jersey as it grew by 4.4 percent nationally.[2]

STATE BUDGETARY PROCESS

New Jersey has an annual fiscal year beginning on July 1. Some 16 months prior to the budget year--that is, in March 1974 for the 1975-76 fiscal year--the Department of Higher Education furnishes "Planning Dollar Benchmarks" or target figures to each

public campus. Each "Benchmark" represents an amount which the department then believes fiscally reasonable, and campuses prepare and submit requests based on enrollment and program projections within this target figure. About 51 percent of the total higher education budget is generated by formula. Institutions may also submit "above formula" requests. In the fall, after staff evaluation, the board reviews programs and priorities and recommends a consolidated budget for higher education to the governor. The governor, with the advice of the Division of Budget in the Treasury Department, prepares his budget which is submitted to the legislature in February. The format of the governor's budget is essentially programmatic (e.g., instruction, sponsored research, academic support, etc.) with line-item information shown on a subsidiary basis.

Legislative hearings begin in March and generally focus on both specific programs and specific line items in the institutions' budgets. The governor's budget recommendations are defended in the legislature by the chancellor of the Department of Higher Education and his staff and by the Division of the Budget. On the whole, the Board of Higher Education's recommendations as modified by the governor's office have set the boundaries of discussion and negotiation during executive and legislative hearings and negotiations--and this was the case in 1975-76. The legislature

appropriates funds to higher education institutions in four different forms. For the state colleges, there is a gross appropriation to each institution for each of six programs. For the state university, there is a single, lump-sum appropriation of net state tax funds (i.e., excluding institutional income from tuition and other sources). The medical college receives net appropriations for each of nine component units, and the Institute of Technology receives a similar appropriation which represents net state tax funds under a contractual agreement between the Institute and the Board of Higher Education.

Although only one appropriations bill is usual, for 1975-76 a supplemental budget bill was passed after a substantial exercise of veto authority by the governor. Under the New Jersey constitution, he could not approve the original appropriations bill since it proposed expenditures in excess of expected revenues. The supplemental budget bill restored some vetoed items because additional revenues were provided by a supplemental tax bill.

STATE-LEVEL PROCEDURES AND CRITERIA

State-level retrenchment activity for 1975-76 occurred at five major stages: 1) the initial recommendation of the Board of Higher Education, 2) the governor's budget, 3) the first appropriations bill, 4) the governor's veto which required very

substantial downward adjustment of institutional and other higher education budgets, and 5) the supplemental appropriations and revenue bills which permitted some upward revision. The supplemental appropriations bills contemplated tuition increases for the second semester of 1975-76, but the Board of Higher Education elected to "live with" budgetary cuts to avoid raising tuition.

In general, despite the ebb and flow of a turbulent legislative session, both the executive office and the legislature were concerned with lump-sum amounts and relied on the Department of Higher Education for advice on allocations to institutions and academic programs.

1975-76 Board Recommendations

In Fiscal 1974-75 the budgetary formula had not been fully funded, and in its recommendations to the governor for 1975-76 the board sought both a restoration of the prior year's reduction and full-formula funding. It also recommended enrollment increases averaging about six percent at the state university, one percent at the state colleges, 10.7 percent at the community colleges, and the maintenance of student aid. Thus, at the time of its recommendation in November 1974, the board contemplated both increased funding and increased enrollments over 1974-75,

although not at the levels urged by the campuses. For the ten general campuses its recommendations were:[3]

	1974-75 Appropriation	Board 1975-76 recommendation
	(in $ millions)	
Rutgers	$ 81.0	$ 92.0
Eight state colleges	113.8	129.0
New Jersey Institute of Technology	9.6	11.7
Total	$204.4	$232.7

1975-76 Governor's Budget

The governor's budget included the following reductions in the Board of Education's operating budget recommendation:[4]

a) "Merit increase increments" were eliminated for all state agencies including higher education institutions. These increments had previously been virtually automatic within the state agencies and the higher education institutions. The governor noted in his budget message that this was an economy move but also part of his administration's commitment to bargain collectively with the units representing state employees. Subsequently, the legislature appropriated funds which will cover only 75 percent of the increments. Guidelines for the

distribution of the increment funds were not yet promulgated in October 1975, however, and increments have not been distributed.

b) The principal substantive reduction was in the board's recommended enrollment at the county colleges.

c) Other reductions were made through technical changes in the formula for general support and instruction and research.

For the ten general campuses, the governor's budget differed from board recommendations as follows:

Fiscal 1975-76 (in $ millions)

Institution	Adjusted board recommendation*	Governor's budget	Difference
Rutgers University	$ 89.8	$ 89.8	$ -0-
Eight state colleges	126.4	120.5	-5.9
New Jersey Institute of Technology	11.5	10.5	-1.0
Total	$227.7	$220.8	$-6.9

*excluding merit salary increases.

First Appropriations Bill, Governor's Veto, and Supplemental Appropriations Bill

The first appropriations bill passed by the legislature made little change in the governor's recommendations. It did reduce state support, but the reduction was intended to be offset in part by increased tuition revenue, primarily for nonresident students. The legislature did eliminate some "special programs," namely funds for the Commission on Financing Postsecondary Education and the Council on Higher Education in Newark. The first appropriations bill provided some $219.4 million for the ten general campuses out of an overall state appropriation of $2.8 billion. To obtain a balanced budget, the governor, by veto, eliminated some $400 million statewide. The supplemental appropriations bill (along with legislation providing increased revenue) restored $268 million for the state budget as a whole. The implications of the veto and the supplemental budget bill for the ten general campuses and other higher education programs were as follows:[5]

Fiscal 1975-76 (in $ thousands)

Ten general campuses	Reduced by governor's veto	Restored under supplemental appropriation	Net loss over governor's original budget
State colleges	$-18,615	$+ 8,604	$-10,011
Rutgers University	-13,840	+ 5,752	- 8,088
New Jersey Institute of Technology	- 1,555	+ 537	- 1,018
Other higher education programs			
State aid to independent colleges and universities	- 4,000	+ 2,000	- 2,000
State aid to hospital schools of nursing	- 1,860	+ 1,500	- 360
Statewide special programs	- 625	-0-	- 625
Agricultural Experiment Station	- 7,304	+ 7,000	- 304
College of Medicine & Dentistry operating budget appropriation	- 2,424	+ 531	- 1,893
State aid to two-year community colleges	- 8,800	+ 8,800	-0-
Total	$-59,023	$+34,724	$-24,299

State executive and legislative action appears to have been dictated primarily by tactics in what one writer has called "another skirmish in a long, losing campaign by the governor to achieve dual objectives of tax reform and increased revenues for state programs."[6] For higher education, he goes on to describe the outcome:

> It is reasonable to ask whether too much has been made of the effect of the political impasses on higher education in New Jersey. Some knowledgeable people deny that there is a crisis--they say that New Jersey is a wealthy state, that higher education is popular, and that the wrangle in Trenton is only a temporary perturbation. After all, most of the dollar cuts were restored, no hefty tuition increase was imposed, and there have been no mass firings. . . .
>
> But it is difficult to take the view that no harm was done if you are a college or university administrator who was ordered to fire a lot of people, or a faculty member who got a letter informing you that you might be fired, as occurred in New Jersey in July. While things never quite reached the panic stage, the atmosphere was hardly favorable for planning for a new term that was little more than a month away (pp. 621-622).[7]

Although "most of the dollar cuts were restored," the Board of Higher Education was still left with a $17 million reduction from the prior year's state support, and a $44.7 million reduction from its original recommendation in November 1974 for 1975-76.

1975-76 Board of Higher Education Allocations

Throughout the appropriation procedure the Board of Higher Education was generally successful in maintaining its authority to establish program priorities in higher education. Once executive and legislative agencies had determined overall increments or decrements at a particular time, the board was able to specify their implementation. During the period of budget

formulation and in allocation of the final appropriation the board was guided by three major objectives:

1. The maintenance of access to public higher education by the maintenance of student financial aid resources.

2. The maintenance of equity among the various sectors of higher education at any particular funding level. This concerned relationships between both the public and private sectors and among different types of institutions within the public sector.

3. The continued viability of all major elements of higher education. Although aware of longer-term fiscal uncertainty, the board considered the 1975-76 budget year a special situation. It endeavored to continue all except a few low-priority programs, with the expectation that the recent growth of public higher education in New Jersey was only temporarily interrupted by the 1975-76 turmoil.

Another major objective of the board, perhaps oriented procedurally rather than substantively, was the maintenance of continued flexibility within whatever overall fiscal constraints were imposed. In its negotiations with state officials, this took

the form of arguing against specific programmatic reductions in institutional budgets. For the most part this effort was also successful, although minor program reductions were made by the legislature.

In reaching its proposed 1975-76 budget the board identified the highest- and lowest-priority programs and objectives through its normal process, which involves: 1) departmental review of institutional requests, 2) departmental discussion with institutional executives, 3) hearings for each institution before a board subcommittee, 4) subcommittee decision on departmental and institutional proposals, and 5) Board of Higher Education approval of an integrated higher education system budget for the submission to the governor. The priorities established were:[8] a) small increase in enrollment (3 percent) at the state colleges and the university, b) continued growth in enrollments at the medical and dental schools, c) full access to the community college system, d) full funding of the instructional formula to restore the cuts sustained in fiscal 1974-75, and e) maintenance of student financial aid.

As noted, the board was generally successful in maintaining these priorities throughout the period of budget formulation and appropriation. The major priority of access was in peril

when community college funding (ultimately supported only at the level of the governor's budget) became a hostage in the broader political battle over a state income tax. The Agricultural Experiment Station at Rutgers was also a target in the governor's veto message: He eliminated total state support for the Experiment Station ($7.3 million); however, $7.0 million--approximately $1.7 million below 1974-75 support--was restored in the supplemental appropriations bill. Because of the fiscal situation facing New Jersey in fiscal 1975-76, the department and Board of Higher Education did question whether the full range of Experiment Station programs should be maintained at the expense of what they perceived as more vital university functions. The governor's veto message reduced financial aid to the private sector from $8 million to $4 million, of which $2 million was restored by the supplemental appropriations bill--final funding was $6 million.

However, a major priority of the department and board which could not be accomplished in 1975-76 was the restoration of full-formula funding which had already been cut in fiscal 1974-75.

In general, the final budget cuts of $44.7 million from the original Board of Higher Education requests were allocated among the major sectors of higher education in proportion to the original enrollment goals and other priorities of the board. The

major modification was in the legislative refusal to continue the practice of funding the preceding year's enrollment overrun at the community colleges.

The budgetary formula determined the allocation among the ten general campuses of the $26.2 million reduction applicable to them, and in accordance with board policy the allocations were essentially lump-sum distributions. The department did review campus plans for internal distribution of the reductions to determine their impact. The budgetary formula was designed by the board to ensure the equitable distribution of funds during an anticipated period of growth. It is described here, however, because it served as the major criterion for allocation of the reductions.[9]

Prior to 1973-74 the executive budget office had used three separate student-faculty ratios to determine the level of support for the three types of senior institutions--the research-oriented university, the eight state colleges, and the New Jersey Institute of Technology. For 1973-74 the board, with the approval of the Treasury's Division of Budget, adopted a formula applicable to all ten institutions utilizing one teaching ratio for all institutions with add-on factors for each type of institution. Some factors (called "input variables") in the formula are

applicable to all institutions--for example, numbers of full- or part-time students, square feet of building space, and the like, which measure the size and scale of campus activity in identical terms. Other factors (called "system parameters") are determined by board policy. Some "system parameters" have the same value for all colleges, and student-teaching ratios are the major example of these. With the exceptions of engineering, pharmacy, and nursing, identical undergraduate student-faculty ratios apply across all ten institutions. For graduate instruction and for the exceptions noted, student-faculty ratios differ by disciplinary group, and their applicability to more than one institution depends on the categories of students enrolled. Other "system parameters" vary with campus mission and board policy. For example, the research university has a formula allowance for state-supported research substantially larger than have the state colleges. The formula also allows for funds for the development of new educational instructional methods and for academic administration.

The formula generates two types of recommendations: The first is an overall dollar figure to which are added nonformula items to constitute an institutional budget. The second is the number of full- and part-time (FTE) faculty. Institutions can employ more part-time faculty than the number generated by the

formula, but to avoid tenure impact they are limited to the recommended number of full-time faculty.

Differential funding of "Instruction and Departmental Research" across campuses is entirely explained by formula variables. Differential funding of "general support" (library, student services, computers, and administration) is largely explained by extrapolation from historical cost data.

For fiscal 1975-76 the board's recommendations and eventual appropriation allocations to the institutions were as follows:

Fiscal 1975-76 Net State Appropriation*
(in $ millions)

	FY 74-75	FY 75-76	
	Appropriation	Adjusted BHE Recommendation	Appropriation
State colleges	$ 69.6	$ 84.4	$ 69.2
Rutgers University	81.0	91.9	82.4
New Jersey Institute of Technology	9.6	11.7	9.9
Total	$160.2	$188.0	$161.5

*Excludes student tuition/fees and other income.

The allocation among the eight state colleges of the difference of $15.2 million ($84.4 million less $69.2 million) between the board's formula-based recommendation and the eventual appropriation was roughly in proportion to enrollment.

In July 1975, when it became apparent that the financial situation might result in a reduction in number of faculty and other professional employees, the Department of Higher Education developed and distributed a statement of lay-off procedures to the state colleges.[10] The procedures, which became effective only after review by the attorney general's office and consultation with the employee collective-bargaining representative, required the colleges to consider a number of factors in determining which employees would be laid off. For example, colleges were required to keep in mind the requirements of their affirmative action programs and the need to consult with the various campus constituencies. The primary factor, however, was the need to protect programs "of major academic significance at the College."

After considering the needs of the college, the campus administration was required to identify the "layoff unit"--i.e., those classes of administrative positions and teaching areas, or both, to be reduced. Within the "layoff units," which would not

necessarily encompass an entire academic department or administrative area, all untenured employees would be laid off before any tenured employee. However, among untenured employees seniority would not be the determinant if a particular untenured employee had "qualifications essential to the continued viability of the unit." The procedures provided for notice to employees and the employee representative and specific reassignment and reinstatement rights. Finally, the department reiterated its position that tenure pertained only to the particular college at which it was awarded.

INSTITUTIONAL PROCEDURES AND CRITERIA

Although the board made its allocation of the reduction according to the budgetary formula, as this was perceived as the most equitable mode, it did not impose controls over the manner in which the colleges made internal allocations. The board and the Department of Higher Education realized that in meeting the reductions the colleges would have to use instruction and departmental research funds to meet minimum collegewide operating needs.

To ease the impact of the 1975-76 reduction on the colleges, the board and department obtained the assurance of the

State Division of the Budget that transfers could be made freely among all accounts throughout the year. In addition:

a. Formula "add-ons" for educational development, research, public service, and academic administration were diverted;

b. both faculty and support staff positions were left vacant;

c. personnel reductions were required in academic and administrative support areas;

d. purchases of educational equipment and supplies and library acquisitions were cut back;

e. overall faculty-student ratios were increased;

f. the number of faculty teaching overloads increased, along with an increase in the number of part-time and adjunct faculty; and

g. virtually all preventive maintenance was eliminated.

Despite budget stringencies, however, innovative programs--e.g., Marine Science Consortium, Thomas A. Edison College, and the Hudson County Community College Commission--were maintained although sometimes on a reduced basis. Similarly, Rutgers and the Institute of Technology were both able to accommodate the growth of major new programs and units, e.g., the Graduate School of Applied and Professional Psychology, and the School of Architecture.

Enrollments were not reduced when the 1975-76 budget reductions were made, and the New Jersey Higher Education System is educating more students than in 1974-75 with fewer dollars.

In the case of the private sector of higher education, the department consulted with the executive committee of the Association of Independent Colleges and Universities of New Jersey prior to the allocation of the approximately $2 million reduction. The salient features of the private sector aid program are:

· The Cost of Education Program (COG) provides up to $300 for each full-time New Jersey resident enrolled in a participating independent institution who was the recipient of some form of need-based aid in the preceding year.

· The State Program to Utilize Resources (SPUR) lowers the effective cost of education to New Jersey students by funding institutions on a per capita basis of up to $175 for each lower-division New Jersey student and up to $225 for each upper-division New Jersey student enrolled in the previous year.

· The Graduate and Professional Programs employ special resources of the independent institutions, and reduce or eliminate

the need for the state to create or expand such programs at public institutions to meet an existing demand.

· The Computer, Library, and Other Services Program permits independent institutions to share certain specialized services now available to public institutions.

For fiscal 1975-76, the $6 million aid to independent colleges was allocated as follows: COG, $2.1 million; SPUR, $3.9 million. The department and the association decided that the best means of utilizing 1975-76 funds would be to fund only the COG and SPUR programs. The $6 million will provide approximately 85 percent of full funding.

POSTSCRIPT: SPRING 1976

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As the time for fiscal 1976-77 appropriations draws near, higher education in New Jersey faces an even more difficult situation than that reported in the case study for fiscal 1975-76. As shown in the table below, the net state appropriation for the state colleges, Rutgers, and the New Jersey Institute of Technology for fiscal 1975-76 amounted to $161.5 million. The governor's budget now under legislative consideration is drastically lower:

Fiscal 1975-76 Net State Appropriation, and Fiscal 1976-77 Board Recommendations and Governor's Budget (in $ millions)*

	FY 76	FY 77	
	Appropriation	BHE Recommendation	Governor's budget
State colleges	$ 69.2	$ 87.3	$ 52.0
Rutgers	82.4	106.7	66.3
New Jersey Institute of Technology	9.9	13.0	9.2
Total	$161.5	$207.0	$127.5

*Source: *State of New Jersey: Budget, Fiscal Year '76-77.*

(Postscript: Spring 1976)

In fiscal 1975-76, the governor's original gross appropriations budget for New Jersey's entire system of higher education was some $19.7 million below the recommendation of the Board of Higher Education (BHE), but in that budget he had excluded expected revenues from a new state income tax which he was proposing. As related in the case study, the proposed income tax was not adopted by the legislature. The governor's 1976-77 budget, unlike that of the prior year, does not assume additional revenues from a revised tax structure, and the difference between the board's recommendation and the governor's budget amounts to $80.5 million.

The board is recommending that the reduction be allocated among institutions and programs so that essential educational services will be preserved. But in so doing, it recognizes that academic standards can be maintained only at the expense of budgeted enrollment. Under the reduced funding proposed by the governor, enrollment at the senior institutions will decrease by some 13,604 FTE students:

(Postscript: Spring 1976)

Fiscal 1975-76 and 1976-77 Full-Time Equated Students

	FY 76 Actual	FY 77, Based on estimated funding	Difference
State colleges	63,637	54,525	- 9,112
Rutgers	38,037	33,659	- 4,378
New Jersey Institute of Technology	3,924	3,810	- 114
Total	105,598	91,994	-13,604

However, in building the BHE proposed FY 1977 budget, there were included funds to restore the quality of the basic formula level provided in the Board of Higher Education budget request for FY 1976, adjusted for inflation, and this improved base was included in the governor's budget request for FY 1977. Thus, maintenance of program quality in the face of reduced funding resulted in an actual increase in the average dollars per student for instructional support and general support.

Fiscal 1975-76 and 1976-77 Dollars per FTE Student Instruction and General Support

	FY 76 Appropriated	FY 77 Governor's budget
State colleges	$1,420	$1,510
Rutgers	2,202	2,285
New Jersey Institute of Technology	2,641	2,797

(Postscript: Spring 1976)

Should the 1976-77 appropriation approximate the level of the governor's recommendations, the impact on higher education in New Jersey will be profound and tragic. Selective, rather than across-the-board, allocation of enrollment reductions among the state colleges is now under study. Tuition will rise substantially, and funding support for released time for research and other non-instructional activity will be reduced sharply at the state colleges, Rutgers, and NJIT.

The chancellor does not see New Jersey's problems as unique. He warns that, "Many people in higher education do not have any real sense of the fiscal thin ice on which they are skating." Although the absence of a state income tax is the most obvious factor in retrenchment, the impact of state supported social programs also looms large. Of the $2.7 billion proposed in the governor's budget, some $637 million is for state support of local schools, and $773 million is for medicaid and welfare, both of which are growing and tied to federal aid.

At the present time, the Board of Higher Education and the department are making a strong case to the legislature for full funding of the BHE's recommended $388 million net state appropriations budget. The chancellor and the chairman of the

(Postscript: Spring 1976)

BHE Budget Committee presented the case for restoration before the Joint Appropriations Committee on March 19, 1976. The committee has identified approximately $94 million in additional funds to be used to support restoration to the governor's budget. These additional funds are based primarily on increased revenue estimates, reductions by the committee in the governor's budget, and anticipated federal revenue sharing. To date, $62 million has been restored to the governor's budget, of which $22 million has been restored to higher education to restore enrollments to approximately the currently budgeted level at Rutgers, the state colleges, and NJIT, to reduce faculty workload, and to restore research funds to the Agricultural Experiment Station, and to fund research at Rutgers and the state colleges. Further proposed higher education restorations pending before the committee totaling approximately $28 million include additional county college enrollment support, a reduction in the governor's proposed tuition increase, and funds for the college of Medicine and Dentistry of New Jersey.

Whether the legislature will pass tax measures to make new revenues a reality is still an open question. The New Jersey General Assembly has passed an income tax package that provides

three kinds of relief: local property tax reduction; revenue-sharing grants to localities; and increased state school aid. Unfortunately, none of the revenues to be generated from the income tax would be available to restore cuts in the state government's operating budget, but would fund only the above three items. The New Jersey Senate defeated the Assembly's income tax package in late May.

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NEW YORK:
City University of New York

OVERVIEW AND CAUSES OF RETRENCHMENT

Retrenchment activity in the City University spans two budget cycles, and had not been completed in mid-September 1975. Appropriated funds for 1974-75 were reduced in mid-year by approximately $20.5 million. As this reduction was being absorbed, worsening revenue projections for New York City were reflected in the 1975-76 appropriation, some $104 million below the original City University budget request. The actual loss of net funds was greater because the enacted budget assumed increases in tuition which the City University has not imposed. Limiting considerations to events as of September 1, 1975, the budget figures for the two years may be summarized as follows:

Selected 1974-75, 1975-76 Budget Figures (in $ millions)

1974-75				1975-76			
Appropriation	Debt service	Mid-year reduction	Net	Appropriation	Debt service	Tuition deficit	Net
585.2	(16.1)	(20.5)	548.6	597.9	(37.6)	(10.5)	(549.8)

The history of reduction in the 1975-76 budget from the time of the inicial request is shown in the following table:

Selected 1975-76 Budget Figures (in $ millions)

November 1974	December 1974	February 1975	February 1975	June 1975
Cuny request	Mayor's certification	Governor's budget	Mayor's crisis budget	Adopted budget
702.0	662.6	651.8	579.1	579.9

Subsequent to September 1, 1975, the mayor has sought an additional reduction of $36.5 million in city funds which, with state matching, would increase to $60 million.

The City University contends with a unique funding situation in adjusting to retrenchment, for it draws roughly 47 percent of its revenue from the City of New York, 37 percent from the state, 14 percent from graduate and nonresident and nonmatriculated undergraduate tuition and fees, and 2 percent from miscellaneous sources. It does not charge tuition to undergraduate matriculated student residents of New York City, although a general fee to cover registration and other services is required of all students including graduate. This fee ranges from $140 a year to $60 a year, depending upon the student's classification.

The cause of retrenchment in the City University is the serious, widely publicized, and still unresolved financial plight of the City of New York. State agencies did not play a direct role in retrenchment procedures prior to September 1, 1975. In mid-September, however, the Commissioner of Education, the executive head of the state coordinating agency, added his voice to those persons outside the City University who were urging that undergraduate tuition be imposed at the same rates as in the State University of New York.

HIGHER EDUCATION GOVERNANCE AND COORDINATION

Public higher education in New York is comprised of two large multicampus systems: the State University of New York (SUNY) and the City University of New York. The coordinating agency, the Regents of the University of the State of New York ("Regents") have statutory master planning authority which includes the review of new and existing academic programs of both public and private campuses. The regents, however, do not have budgetary responsibilities for either multicampus system.

Until the 1960's, the State of New York relied primarily on private rather than public higher education to serve its residents. The public sector has now grown to enroll approximately 60 percent of all students. In 1975 there are 74 public

campuses--19 in New York City governed by City University, and 55 elsewhere in the state governed by the state university. In fall 1974 enrollment at City University almost reached 270,000; SUNY reported enrollment of 325,000.

Prior to July 1, 1975, the state university exercised supervisory control over City University's eight two-year community colleges in New York City, as it did and still does over the other 30 community colleges, all of which also have local governing boards. The governing board of the City University has been the "local board" for the two-year campuses in New York City. Because of the substantial support provided to City University--50 percent of the operating budget of the four-year colleges--the state has periodically attempted to exercise greater control over it. To date, these attempts have had limited success. In 1973, however, the law was changed to allow the governor as well as the mayor to appoint members to the City University governing board.

Two educational policy positions of City University are particularly relevant to its responses to fiscal stringency: First, an "open admissions" policy was implemented in 1970 to provide a place at one of the City University campuses for every New York City high school graduate. In part because of this policy, headcount enrollment grew from 170,000 in fall 1969 to

almost 270,000 in fall 1974. In 1974-75 approximately 17 percent of City University's physical facilities were leased at an annual cost of $15.4 million to accommodate the increased enrollment.

The second policy, also related to access, is the long-standing position that residents of New York should not be required to pay tuition for undergraduate instruction. As the financial problems of New York City deepened in 1975, reversal of this policy was perceived in some quarters as a significant solution to the city's fiscal crisis. The City University responded that the saving in dollars would be small in relation to the city's budget gap and that the imposition of tuition would be a stimulus to the further flight of middle-income families from the city.

The salary scale for faculty in the City University is higher in the various academic ranks than for those in the state university and in institutions in other states. Higher salary scales for full-time faculty are offset by two factors: A high proportion of instruction is performed by part-time adjunct faculty; the recent rapid increase in enrollment has resulted in a high proportion of full-time faculty in the lower ranks. As a result, total average faculty compensation (for both full and part-time) appears comparable to that of SUNY and other institutions even though the cost of living in New York City is higher

than elsewhere (City University estimates it at about 15 percent higher). Cost per student figures reflect particularly light support staff, crowded facilities, and low library and equipment costs. For example, the average cost for senior college and graduate students (FTE's) was about $2900 in 1974-75 and for all students was $2500 (excluding debt service cost).

STATE AND CITY BUDGET PROCESSES

Both the state and the city of New York have annual budget cycles; the state's fiscal year runs from April 1 to March 31, the city's from July 1 to June 30. The budget request of the City University is submitted to the Budget Bureau of the City of New York in November. The request is in program format; shortly after submission the lump sums are placed in line-item schedules. After staff review it becomes part of the mayor's executive budget--also in line-item format. Before this, however, and by December 1, the mayor is required by state law to "certify" to the governor his intended city support of the senior and community colleges in order to enable the state to determine its funding in the governor's budget (issued in January). City University central staff negotiate with the state executive budget office and legislature as the governor's budget is prepared. The mayor usually prepares his budget in April after the state budget is passed although his budget is often delayed

by a month or so. The final city budget must be adopted before the end of June.

Under general statutes state support for the senior colleges is one-half of the operating budget, less tuition and fee income. State support for community colleges is set by statute at 40 percent of the budget but a uniform statewide per-student funding formula established in 1971 has kept aid below that level. As a result state aid has declined each year, reaching 33 percent in 1974-75. These shortfalls constitute a limitation on expenditures and are considered a form of retrenchment. Although the eight community colleges were severed from the state university system as of July 1, 1975, the per-student funding formula continues to apply to them.

Within the City University, campus requests are based on campus perceptions of their needs, fee-income projections, and compensation determined by collective bargaining. These requests are integrated into a total university budget request. City University central staff negotiate the budget of each campus separately within the framework of a formula or model based on systemwide average costs by instructional level. Average costs appear to have been artificially low in the recent past because the funding model (based on limited new appropriations) did not

recognize the additional expense of remedial education required for many students enrolled under the open admissions policy. When requests for supplemental funding to meet this additional expense were granted, the funds had to be applied to ongoing programs to offset the perceived inadequacy of regular funding, especially for the community colleges.

The state appropriation to the City University is in a lump-sum format, and state fiscal agencies neither analyze nor question the internal allocations. The City University is subject to a large measure of control by the City Budget Bureau. Although the university may fill vacant lines, city budget approval is necessary to establish new lines for new positions, grant merit increases, transfer funds from one program to another, and transfer lines. In times of crisis like the present, the City Budget Bureau may even freeze vacant lines to prevent additions to the staff.

Except for the two-year college funding formula, the formal budgetary procedures of the state and the city did not play major roles in the retrenchment of 1974-75. For 1975-76, the situation looks different--the impact of the community college formula will be minimal but the statutory senior college matching formula is almost doubling the reduction imposed by the city.

Fiscal 1974-75

Although the City University began the year with an appropriation of $585.2 million, this amount was based on statutory state aid of 40 percent for the community colleges. The enrollment-driven state aid formula discussed above reduced the state appropriation to 33 percent, and meant that $5.7 million of the $585.2 million total appropriation for the university could not be used.

In mid-November 1974 the mayor notified all city agencies and affiliated institutions that declining revenues and underestimated expenditures would result in a deficit for the city of over $400 million for the 1974-75 fiscal year. He asked the university to analyze the impact of a possible cutback of 8.5 percent in the city's support of City University from city tax levy funds--approximately $30 million with matching state funds. The City University immediately called attention to its existing commitments to faculty and students, but shortly thereafter the mayor ordered in two successive actions a total reduction in current expenditures of $14.8 million (including matching state funds). Together with the community college state aid shortfall, the total reduction was $20.5 million:

1974-75 Reductions in Operating Budget (in $ millions)

	City funds	State funds	Fees	Other	Total
1974-75 Appropriation	280.0	242.5	50.4	12.3	585.2
Debt service	(16.1)	-	-	-	(16.1)
Gross operating budget	263.9	242.5	50.4	12.3	569.1
Reductions					
City emergency reduction	(9.6)	(5.2)	-	-	(14.8)
State aid shortfall	-	(5.7)	-	-	(5.7)
Spendable operating budget	254.3	231.6	50.4	12.3	548.6

In meeting the $20.5 million reduction (see table on page 193) the City University utilized approximately $10.8 million in technical adjustments and $1.6 million in unanticipated additional fee income from higher than estimated enrollment. To meet the balance of $8.1 million, the governing board on January 31, 1975, issued a policy statement requiring the central office and each campus to take certain immediate steps to meet their share of the reduction as determined by across-the-board computations:

1. Freeze the filling of any administrative full-time lines that are presently vacant. When special emergency situations develop, the chancellor is authorized to grant exceptions upon written justification.

2. Overtime for additional compensation, except in exceptional circumstances, shall not be authorized.

3. Reduce faculty released time by a minimum of 20 percent.

4. Reduce Other than Personal Services by 25 percent in accordance with the following:

   - Defer supply, equipment, and service procurement which does not immediately limit teaching or administrative effectiveness.
   - Defer nonessential repairs and maintenance.
   - Reduce contractual and office services.
   - Reduce out-of-state travel.
   - Where feasible during periods when classes are not in session, including Christmas recess, close selected buildings not in substantial use by students, faculty, or administrators.[1]

In addition, the governing board specified other procedures directly related to instruction which the campuses could use:

- Combine class sections with low enrollments.
- Increase average class size.
- Offer more courses on a staggered semester basis (i.e., not every course every semester).
- Increase average number of class contact hours of teachers.
- Have qualified administrators teach at least one course.[2]

The governing board emphasized the discretionary authority of the heads of the campuses, and urged consultation with faculty and students:

> College presidents shall have discretion, within the limitations outlined above, to determine for each institution what actions shall be taken to achieve the necessary budget reductions. Consultations with appropriate faculty and student representatives should be encouraged as plans are developed.[3]

The campus chief executives were required to report their plans to meet the reductions within two weeks of the issuance of the policy directive. The plans, including those of the central office, indicated that estimated savings of $8.1 million would be effected in the following manner:

1974-75 City University Reductions (in $ millions)

	Number	Estimated savings
Full-time positions		
Administrative	100	1.1
Teaching	35	.6
Other (student services, etc.)	49	.3
Subtotal	184	2.0
Part-time positions		
Administrative	320	.8
Teaching	890	1.5
Other (library, etc.)	490	.7
Subtotal	1700	3.0
Other reductions		
Deferral of equipment & supply purchases		1.3
Deferral of library book purchases		.3
Out-of-city travel		.2
Deferral of maintenance		.5
Reduction of contract services (guards, etc.)		.4
Other (postage, telephones, etc.)		.4
Subtotal		3.1
Total		8.1

Fiscal 1975-76

In mid-September 1975 the City University remains uncertain of its funding for the fiscal year which began on July 1. This case study deals only with events prior to September 1, 1975--that is, with the adjustment of the City University to an appropriation of $597.9 million, estimated as $87.2 million less than would be required for inflation, for salary increases required by collective bargaining agreements, and for a projected 9500 enrollment increase:[4]

City University 1975-76 Budget Gap (in $ millions)

Estimate of budget needs (base budget plus estimated costs due to inflation, enrollment, space rentals)		$607.0
Executive budget		597.9
Less: Fee income included	$40.5	
Debt service	37.6	78.1
Net budget		$519.8
Difference between estimated needs and net budget		$ 87.2

By increasing fees to yield an estimated $30 million, the university effectively cut the budget gap to $57.2 million.

Two aspects of the $597.9 million appropriation are critical:

1. The final appropriation included some $18.8 million in additional funds for two special programs for the disadvantaged (SEEK in the senior colleges and College Discovery in the community colleges) which the mayor had specifically eliminated in his original budget. These funds were restored by the city council after strong pressure by the City University and by students in both programs.

2. The appropriation was based on a directive to the City University to increase tuition and fee income by some $40.5 million which did not, however, raise the issue of imposing tuition on undergraduate matriculated student residents of the city. The Board of Higher Education authorized increases in fees other than tuition for all students, and also increased tuition for students already in tuition-paying classifications. These increases were projected to yield $30 million of additional fee income.

Early in the spring, when the City University learned that its full needs would not be met, it began exploration of alternatives for reductions. Because of the 1974-75 reduction, and because of the size of the 1975-76 reduction, it became apparent that the campuses could not be asked to absorb another substantial across-the-board cut.

Among several more drastic alternatives which were given consideration, analyzed, but discarded, were the closing of some of the campuses and drastically reducing the 1975-76 freshman class. The latter would have involved withdrawing acceptances already sent out to approximately 11,000 students (some 9500 in full-time-equivalents) who had been accepted after the regular deadline. Moreover, it was also apparent that two additional factors required more systemwide concern with the 1975-76 reduction than with that in the prior year:

1. The single largest factor in the 1975-76 reduction was the $40.5 million assumed tuition increase which was beyond the jurisdiction of the individual campuses.

2. Numerous other possible alternatives for absorbing the reduction--e.g., an increase in faculty workload, academic program reductions, and the like--were of a magnitude or importance to require policy decisions on a universitywide basis.

The governing board, in May 1975, acted to preserve flexibility in the face of the uncertain 1975-76 funding by initiating a temporary freeze on new appointments, promotions, and reappointments other than those required by collective

bargaining agreements. In addition, the board prohibited the initiation of new academic and other programs as well as contracts and purchases not previously approved.

The board selected from alternatives presented to it and ordered action to meet the $37 million reduction on July 28, 1975. Its statement emphasized the three overall policy positions which governed its decision:

- Free tuition for matriculated resident undergraduates,
- Open Admissions, which offers the opportunity for meaningful higher education to all New York City high school graduates, and
- High-quality education befitting the greatest urban University in the world.[5]

It is not easy to put a dollar cost on high-quality education. On the other hand, fairly precise dollar figures could be attached to free tuition and the open admissions policy, both major controversial issues on which the board took a firm stand.

The board's policy statement specified reductions which would be accomplished by systemwide action to save $54.3 million. These, in summary, were:[6]

System action	Amount (in $ millions)
Consolidation and reduction of graduate programs	$ 1.6
Increases in student fees and tuition	30.0
Reduction of administration and support staff	10.0
Increase in faculty classroom teaching time	11.0
Limitations on sabbatical leaves	1.7
Total	$54.3

In its directive to consolidate and reduce graduate programs, the governing board's decision benefited from the university's ongoing review of its masters' programs at the colleges:

> In a number of areas the Board has noted a redundancy of Master's programs being offered at different colleges of our University system. The chancellor is requested to implement a minimum reduction of 25 percent of the 278 Master's programs for September 1975 semester and and additional 15 percent of the Master's programs for the February 1976 semester. This should be done after immediate consultation with the college and faculty. Such program consolidation should not only economize but strive to improve their quality by consolidating small Master's programs into a single or fewer programs. Students in the programs that are eliminated will be assigned to comparable programs elsewhere in the University so that their academic training will not be interrupted.[7]

In September 1975 the governing board took the first steps in program reduction by eliminating 14 masters' degree

programs in anthropology, philosophy, linguistics, and political science which had been offered at several general campuses, and consolidating these programs at the geographically separate graduate school.

At the systemwide level the tuition and fee increases of an estimated $30 million were essentially adjustments based on the inflation which occurred since the prior adjustments were made in 1970 and again in 1973. For example, the fee for registration and student services was increased from $35 to $55 for New York City resident senior college students. In addition, tuition for non-resident graduate students was increased to a level comparable to that charged by private campuses in the city.

Although not productive of dollar savings, but with intent of maintaining instructional services for residents of the state and city within the limits of resources, the governing board banned the admission of new out-of-state undergraduate students during 1975-76.

After the required systemwide activity reduced the $87 million deficit by $54.3 million, the governing board directed the system's chief executive officer to allocate the balance of the reduction--$32.7 million--to campuses on an across-the-board basis:

> The Board requests the Chancellor to distribute the remaining $32.7 million by reducing the budgets of each of the colleges, SEEK, College Discovery, and the Central Office. These reductions are to be made in proportion to budgets which reflect mandatory cost increases and necessary adjustments to compensate for substantial over-enrollment or under-enrollment or other unique factors. The reductions in the Central Office and other programs are in addition to the reduction of administrative staff required above.[8]

The governing board advised the campuses of possibilities which it considered among the alternatives available to them in meeting their share of the $32.7 million reduction:

1. Reductions in Other than Personal Services categories.
2. A reduction in the number of executive level administrative positions to meet the needs of the colleges.
3. Reexamination of course offerings to eliminate or consolidate those that are least related to the mission of the college.
4. Consolidation of smaller departments into generic groupings.
5. Increasing class size and combining of class sections with small enrollment.
6. Increasing the use of lecture classes in appropriate disciplines and where necessary facilities are available.
7. Computing class loads on the basis of those who will probably remain rather than on initial registration.
8. Having qualified administrators teach at least one course.[9]

The governing board expressed concern about the maintenance of the strength of the university's academic programs, and asked the campus chief executive officers in considering personnel reductions to reduce support services before instructional services. It asked each to make reductions by emphasizing the particular mission of his own campus. Regarding personnel actions, the board noted:

> That where departments or teachers are no longer needed because of decreasing enrollment or changing patterns in higher education, the elimination of those positions should be considered. No legal or contractual limitations apply in such cases, especially in the light of the financial stringency required.[10]

However, the collective bargaining agent for the faculty initiated litigation in August 1975 claiming that the increased teaching hours, increased class size, reduced released time for research, and other retrenchment measures were in violation of the expired collective bargaining agreement which remained in effect during negotiations. In early September a lower court ruled in favor of the union, and appeal of the lower-court decision by the City University is expected.

Two weeks after the July 1975 policy statement of the governing board, the Council of Presidents, a systemwide

administrative group consisting of all 19 campus chief executive officers and the president of the affiliated medical school, approved emergency procedures and guidelines for personnel decisions required by the retrenchment.[11] Shortly thereafter, on August 15, 1975, the governing board declared the City University to be "in a state of financial exigency." It adopted the emergency procedures approved earlier by the campus chief executives, stating that these would remain in effect until the end of fiscal 1975-76. The authority to initiate personnel "discontinuances on the basis of financial exigency" was delegated to the campus chief executives for campus personnel and to the system chief executive for central office staff.[12]

The emergency procedures, 12 pages in length, are detailed and afford specific illustrations of possible problems which might be presented by seniority and tenure.[13] With regard to these major indicia of faculty status, the procedures provide, in summary:

1. The basic unit for retrenchment purposes in the City University is the academic department of the particular campus.

2. The seniority of tenured persons is by the date of appointment (not of tenure) with the department. State statutes have been interpreted to the effect that previous service in another department is not included in the seniority computations.

3. In the absence of compelling educational reasons, the position of a tenured person will not be abolished before that of a nontenured one.

The emergency procedures call attention to the complex impact of budgetary decisions on a campus and its academic programs:

> There may be more than a single variable which precipitates campus retrenchment decisions. A budget reduction per se may force retrenchment, but more likely it will be the need for a campus to reallocate its resources in order to provide the optimal level of service within a given budget that will bring about personnel changes. Financial exigencies notwithstanding, a reduction in the number of instructional staff personnel may be warranted by abolition of programs, insufficient student registration, redistribution of staff, reassessment of programs and priorities or other campus decisions affecting allocation of its fiscal, personnel, or physical resources. Retrenchment takes place at the department or program level, and the actual cutback in positions proceeds from program and workload decisions.[14]

The emergency procedures provide for notice to the dislocated faculty member, but do not require a hearing prior to discontinuance. The affected faculty member can appeal the decision of the campus chief executive, however, to a "special retrenchment review committee" consisting of at least three members of the instructional staff, the majority of whom are to be tenured. The procedures provide:

> On appeal the affected individual has the burden of establishing:
>
> a. Where the determination was made on the basis of length of service, that the . . . Committee or party making the decision did not correctly compute the length of service in accordance with these guidelines.
>
> b. Where the determination was made on the basis of special educational reasons, that the reason given was a pretext for action based on constitutionally prohibited grounds.
>
> No other issues may be raised by the appellant or considered by such committee on such review. In considering the appeal, the committee shall be prohibited from considering the need for retrenchment in the University, the College, the department, division or other retrenchment unit.[15]

The retrenchment review committees at the campuses are advisory to the campus chief executives; final authority for specific discontinuances rests with these executives.

INSTITUTIONAL PROCEDURES AND CRITERIA

Fiscal 1974-75

The mid-year reduction of the 1974-75 appropriation by $20.5 million, together with the freeze on new appointments and promotions, had its primary effect on administrative personnel and part-time teaching staff. From October 30, 1974 to June 30, 1975 the overall staff of the City University was reduced by 577 full-time employees and 870 part-time adjunct teachers. The reduction did not require dislocation of tenured instructional staff, however.

Notwithstanding their varying academic emphases, individual colleges were severely restricted by existing commitments in their choice of areas to make cuts. With few exceptions, attrition, vacant positions, and part-time employees were the only areas in which cuts could be made within the time allowed.

Fiscal 1975-76

Unlike the approach taken in 1974-75, the university adopted both proration and selectivity in effecting the much more drastic retrenchment required in 1975-76. Some cuts were made on a systemwide basis, e.g., the elimination of paid faculty sabbaticals and the increase in faculty workload to a

specific standard. The colleges were not given the option of trading off these requirements against cuts in other areas. In other cases college presidents were given the opportunity to be selective on the basis of their own priorities while adhering to the university's retrenchment guidelines.

1975-76 Budget Allocations

On August 4, the chancellor informed each college of its 1975-76 budget. This budget was calculated in accordance with the statement of policy adopted by the board at its July 28, 1975 meeting. Following is a brief summary of the way in which each college budget was developed:

- The 1974-75 base budget, excluding two special programs, SEEK and College Discovery, was taken as the starting point.
- Mandatory increases (annualization of 1974-75 collective bargaining increases, fringe benefit cost increases, fuel, energy, and inflationary increase for supplies and equipment) were added to the base budget.
- Each budget was then reduced to reflect
  - elimination of sabbaticals.
  - increase in productivity of full-time faculty (through decrease in adjunct costs).
  - reduction in administrative and other noninstructional cost.

- The college's budget was cut further by 7.4 percent.
- Colleges with enrollment growth were given funding at a specific dollar amount per FTE student.

The net result of these steps was the 1975-76 spendable budget. The difference between this figure and the 1974-75 base budget represents the savings required of the college in 1975-76. It was recognized that there were some inequities in this approach. Cost per student differed in the individual colleges for a variety of reasons. One such reason was the greater additional expense incurred when a larger number of students at one college compared to another required remediation. It was not possible to treat this kind of situation selectively within the retrenchment time-frame.

Two aspects of the budget reductions imposed on the colleges are worth close inspection, namely, faculty productivity and the reduction in administrative and other noninstructional costs.

Faculty Productivity

Data on faculty workload indicated that full-time faculty classroom hours in the senior colleges (excluding doctoral faculty) ranged from 8.8 hours to 10.3 hours; in the

community colleges the range was from 11.4 hours to 13.6 hours. The board determined that the faculty workload in each of the senior colleges (excluding the graduate school) should be 12 classroom hours and in each of the community colleges 15 hours, in both cases less one hour of released time. Doctoral faculty were required to increase classroom hours by 15 percent.

On the whole faculty workload in the community colleges had been closer to the new norm than in the senior colleges. On a percentage basis the required increases in faculty workload ranged from 2.9% to 22.8% in the community colleges as compared with 6.8% to 25.0% in the senior colleges.

Reductions in Administrative Costs

In the area of administration, college base budgets were adjusted on a differential basis. Cost center data were used to correlate administrative cost per FTE and total FTE enrollment for all colleges; each college was located in relation to this correlation curve. The further away the college was from the curve, the larger the required percentage cut in administrative costs, and base budget cuts ranged from 5.7 percent to 6.8 percent.

POSTSCRIPT: SPRING 1976

Anthony D. Knerr
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The budgetary situation of City University worsened steadily between mid-September 1975 and May 1976, reaching so critical a point that the university was fighting for its very survival. The city ordered successive cuts this year, and each such cut automatically carried with it a reduction in state aid. The city announced that it would further reduce its support for 1976-77, and that it would withdraw all financial support for City University's four-year colleges in 1977-78 and finance only the community colleges. Even though tuition for undergraduate matriculated resident students was imposed and a major restructuring of the university was adopted, considerable uncertainty exists concerning the future structure and financial stability of the university. The history of retrenchment since mid-September 1975 is summarized briefly below.

Developments Affecting the 1975-76 Budget

In August the city announced a reduction of $32 million "in lieu of tuition" and in the early fall set a further expenditure cut to balance unanticipated city revenue shortfalls. Both

of these cuts were in addition to the $87 million reduction already absorbed. After months of negotiation with the city, in which tentative agreements were reached on cuts ranging from a total of $25 million to $60 million, the city finally ordered a total $55 million cut for the second semester. This cut, together with a reduction in debt service payments and several technical adjustments, brought the university's spendable budget to $587.4 million at the beginning of the year. The Board of Higher Education decided at its December 1975 meeting to effect the reduction in the following manner:

- Shut down all university buildings during Christmas and spring recess periods to save energy and maintenance costs . . . . . $ 1 million
- Distribute budget reductions among all the college units to be effectuated by consolidation of programs and retrenchment of administrative, support and instructional staff to save . . . . . $13 million
- Roll back summer session fees and charges to June 1976 to increase income for 1975-76 and consolidate summer session offerings to save . . . . . $ 9 million
- Schedule payless furloughs of four weeks for *all* staff to save . . . . . $32 million

Estimated total savings . . . . . $55 million

(Postscript: Spring 1976)

The proposed furlough was the subject of legal action brought by the instructional staff union, the Professional Staff Congress (PSC), and by the union representing custodial staff. Although the court ruled in favor of the university in the PSC case, the city was concerned about the impact of a furlough on other municipal labor unions. The university, the city, and the state engaged for weeks in extensive discussions about alternative arrangements without coming to a final solution. The PSC, however, agreed to a salary deferral plan to ease the university's cash flow problem as part of an agreement which provided for a technical adjustment in the university's budget to permit it to take advantage of unused fringe benefit allocations and $24 million of emergency state aid above and beyond the amount provided under matching formulas.

Meanwhile, the university was forced into a critical cash flow position. While agreements were reached with the union regarding the salary deferral plan, the city (1) reduced the university's budget by an additional $8 million for collective bargaining costs for which no funds had ever been provided, and (2) placed the university on a new monthly cash allotment system which did not recognize its full spendable budget. Further, the

legislature refused to provide the emergency aid separately from a major restructuring of state support for 1976-77, and this action in turn depended upon the board imposing tuition. By the last week in May, the university had been unable to persuade the city to amend the cash allotment for that month, and the city held up the May paychecks. Declaring a state of emergency, the chancellor ordered the entire university to shut down as of May 29, and all faculty and staff were off the payroll. The university reopened on June 14 after the state legislature enacted a comprehensive bill (to be described later) which made enough funds available to carry the university to the end of the fiscal year. Through discussions with the union and other officials, the university is seeking to have faculty and staff work to make up for the two-week shut-down but to have payment of salaries for that period deferred until 1978-79.

Developments Affecting the 1976-77 Budget

Recognizing that the fiscal situation of the city and the state would prevent the return to previously prevailing budgetary levels, the Board of Higher Education instructed the chancellor in late winter to prepare a plan for restructuring the university on a basis which would maintain educational

quality and yet would be responsive to the reduced funding in prospect for 1976-77. The chancellor established task forces comprised of presidents, senior administrators, and faculty and student representatives to prepare recommendations which the board acted upon following extensive discussion, analysis, and a lengthy public hearing. As a result the board-adopted restructuring plan provided for the following:

- Reduction in the number of institutions through merger and elimination from 19 to 17, comprising the graduate school, six university colleges, and nine community colleges.
- Adoption of new criteria for admission.
- Establishment of universitywide standards and progress towards a degree based on a specified satisfactory record of course completion and maintenance of specific grade point averages.
- Adherence to fixed ratios of administrative and staff support costs with total personnel costs ranging from 22 percent to 28 percent in inverse relationship to size.
- Institution of a trimester calendar over a two-year period to replace the semester calendar.
- Consolidation and centralization of certain administrative and support services.

(Postscript: Spring 1976)

The board made some modifications which left the total number of colleges at 17 instead of 16. The plan as approved is estimated to provide savings approximating $60 million over a three-year period. The proposal also called for a significant increase in state support for the senior colleges and continued city support for the senior colleges. It did not call for undergraduate tuition.

The Politicalization of the Decision-Making Process

Throughout the winter the board and the university administration held numerous conferences with the city in an effort to stop the onslaught on the university's budget. At the same time, negotiations were conducted with the state with a view to increasing the state's proportion of senior college funding from 50 percent to 75 percent in a three-year period. The state's own fiscal difficulties forced the tuition issue to the fore. The State Board of Regents recommended a plan for restructuring the university which included a tuition charge for traditionally tuition-free matriculated students from New York City.

Gradually during the course of the spring, with significant pressure from the state, the question of tuition was widely discussed within the university as well as within the city and

state governments. The central concerns regarding the tuition question were the social, economic, and educational implications of imposing tuition, the public policy considerations of who should actually make the decision, and the problem of potential political onus which would attach to those elected officials who either directly or indirectly required the imposition of tuition. When the university's cash flow problems for 1975-76 became so acute as to require temporary closing, the chairman of the Board of Higher Education and three other members resigned in protest. Three new members were promptly appointed by the mayor and tuition was finally voted the evening of June 1.

Closing of the university had immediate impact on the governor and the state legislature. Having gained the objective of tuition and unwilling to bear the onus of the disruption caused by the closing of the university during the critical examination period, the state legislature enacted a measure which gave the university $24 million in additional funds and enabled it to reopen on June 14.

The measure also included some other significant features:

(Postscript: Spring 1976)

- An additional $3 million to preserve the bilingual program at a community college.
- Increased state support for the senior colleges in 1976-77, thereby changing the existing dollar-for-dollar city/state funding pattern.
- Establishment of new procedures for preparing the university's budget request and for administering the budget.
- Reconstitution of the governing Board of Higher Education by increasing its size, altering the ratio of state and city member appointments, and changing the manner of electing the board's leadership.
- Establishment of a "blue ribbon" panel to study the future of City University within the context of higher education in New York State.

While enactment of this legislation solved the immediate cash problem, the long-term outlook remains unfavorable. The fiscal components of the legislation provide an operating budget for 1976-77 of $470 million, $35 million below the estimated cost of the board-adopted restructuring plan and $65 million below the effective base line budget of 1975-76. This gap will increase if the impact of tuition causes greater attrition in enrollment than had been estimated. Since there is virtually no likelihood that either the city or the state will increase its contribution in the course of the year, and the city may again have an imbalanced budget, there is a high likelihood of additional substantial

retrenchment in the months ahead. Further, the questions of the magnitude of state support, the continuation of city support, the relationship of CUNY and SUNY, and the future organizational structure of the university have yet to be worked out.

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WISCONSIN:
University of Wisconsin System

OVERVIEW AND CAUSES OF RETRENCHMENT

In Wisconsin, retrenchment has been severe and prolonged for two biennial budget cycles, 1973-75 and 1975-77. Hundreds of probationary employees have not been renewed and 88 tenured faculty members were given layoff notices effective in 1973-74, another 32 in the 1974-75 academic year. Under a coordinated "RRR" effort, all but five of the first group were subsequently Relocated, Retrained, or Rehired. Over a period of three years, increasingly sophisticated procedures have been developed by the statewide multicampus system, the University of Wisconsin. In 1975, in response to an unprecedented governor's request for a plan for "phasing out" and "phasing down" campuses and programs in light of his estimate of long-term financial and enrollment prospects, the university identified the quality versus access dilemma and countered with a proposal which the legislature approved called the "2+2" plan. The university projects both expenditures and targeted enrollments for two biennia rather than one--e.g., for 1979-81 along with the 1977-79 budget--based on academic plans and ongoing program evaluation. The legislature

will review the proposal and will, it is hoped, approve "in principle" a funding level for the additional biennium at the time it appropriates funds for the current biennium, thus facilitating longer-range and more effective planning.

Retrenchment in Wisconsin was caused by a combination of factors. In 1973-75, the governor and the legislature placed high priority on using revenue growth to provide local property tax relief in a variety of forms. The state assumed many welfare and social services costs formerly borne by counties, increased aids to local elementary and secondary school districts, and provided direct property tax relief through an expanded "homestead credit" program, for example. State services in general, and higher education in particular, had restrained budgets. In 1975-77, faced with continued rapid inflation and a lesser rate of revenue growth than previously experienced, support for many state services was actually reduced to continue supporting local programs and to finance inflating welfare programs.

Some campuses were faced with unusual retrenchment requirements because of enrollment reductions that occurred in this period. A statutory enrollment funding formula reduced state support to those campuses experiencing enrollment declines.

(The system as a whole continued to grow in every year except 1972, which is discussed in the next section.)

Retrenchment policies which were applied to the system as a whole included a "productivity savings" policy adopted in the 1973-75 biennial budget and continued in 1975-77. In essence the governor attempted to increase "public sector" productivity at a rate comparable to the Bureau of Labor Statistics' reported rate for the "private economic sector" by forcing public agencies and the university system to cut base budgets first and then report "productivity increases" to cover the loss. It was a budget cut. In addition, there were increasing mid-year austerity requirements imposed by state government (e.g., the system was directed in December 1974 to return $3 million of funds already appropriated).

HIGHER EDUCATION COORDINATION AND GOVERNANCE

The University of Wisconsin is a statewide multicampus system, coordinated and governed by a consolidated governing board and central staff. The present governing structure resulted from the 1971 merger of the prior University of Wisconsin (UW) and Wisconsin State University (WSU) Systems. The merger, initiated by the governor, was proposed explicitly to "reduce costs and eliminate or at least better control program duplication."

In 1975 the university system consists of 13 four-year colleges and universities, 14 two-year centers, and extension and other outreach activities. For governance and budgetary practice, campuses are divided into three clusters: the *doctoral cluster* consisting of two campuses, Madison and Milwaukee; the *university cluster* consisting of 11 four-year-plus-masters-level campuses; and the *outreach cluster* consisting of the 14 two-year campuses and the statewide extension system.

The public sector also includes 16 two-year vocational-technical institutes with local governing boards which are coordinated by a separate statewide board. Vocational-technical institutes receive approximately 32 percent of their support for general operations from the state on a formula basis. In some ways, retrenchment has been less severe on the technical institutes than on university system campuses because state funding for them is categorized in the state appropriations as "local assistance" and, as such, is exempt from productivity and special austerity requirements. However, in 1975-77 state support for vocational-technical institutes was substantially reduced in conjunction with a mandatory academic fee policy.

Opening fall enrollment of the campuses, which now comprise the merged university system, grew from 127,147 in 1969 to 139,891 in 1974--substantially short of the 160,187 which the Coordinating Council for Higher Education (CCHE) had projected in 1969. (The 1971 merger bill terminated the CCHE.) Absolute enrollment declines occurred at several campuses in 1973-74 and again in 1974-75. The long-term projections have been subsequently revised downward. The 1969 projection of 177,981 for 1980 was reduced to 149,653 in 1975. Enrollment is expected to peak in 1980 and decline afterwards at *all* campuses unless the present rate of increase in older student enrollment continues. For the 1975-77 biennium it is expected to increase by about 6,000.

Although overall enrollments in the public sector of higher education in Wisconsin grew at some 12.5 percent from 1970 to 1974, this was below the national average of 18.1 percent. In the private sector, enrollments declined by 6.1 percent, substantially below national growth of 4.4 percent. Enrollment in the private sector in 1974-75 was approximately 9.3 percent of the total university enrollments.[1]

The state has furnished support to the Medical College of Wisconsin in Milwaukee (previously part of Marquette University)

since 1969-70 and the Marquette School of Dentistry since 1973-74. Private higher education institutions have also been indirectly aided through a tuition grant program for undergraduates attending Wisconsin private colleges and universities.

STATE BUDGETARY PROCESS

Wisconsin has a biennial budget beginning on July 1 of odd-numbered years, with annual review sessions in even-numbered ones. The budgetary process is characterized by: 1) the active fiscal and educational policy role of the system governing board and its central staff; 2) the extensive and structured documentation of budgetary issues at the state level; and 3) the free exchange of data and policy studies among the executive, legislative, and system fiscal staff.

Biennial budget instructions are issued by the central administration of the university system in February of even-numbered years after informal consultations with the campuses and the executive budget office. The latter issues procedural guidelines in March and a statement of the governor's budget policy expectations in May. After staff review of campus proposals during the summer months, the governing board holds formal reviews on the system budget request. Executive and

legislative fiscal staff attend these hearings but do not participate in them. In the system request submitted to the state in September, campuses are identified and governing board action on campus requests is stated. The request is in program format, and changes in subprograms by campus are documented in detail.

The governor's recommended budget bill and supporting materials are issued in late January, in program format with narrative justifications including reasons for major executive office changes in the system's request. Legislative review of the governor's recommendations typically takes approximately six months, of which three months are spent in review by a joint committee on finance.

The legislative budget bill is essentially in a lump-sum format: "General Program Operations" is a single line comprising the major appropriations for the university system as a whole. This major category is disaggregated by the three campus clusters, not by individual campuses. It is also disaggregated into five WICHE/NCHEMS program classification structure programs and faculty compensation across all clusters. The university system can transfer funds among campuses within a particular campus cluster, but transfers between clusters require executive budget office

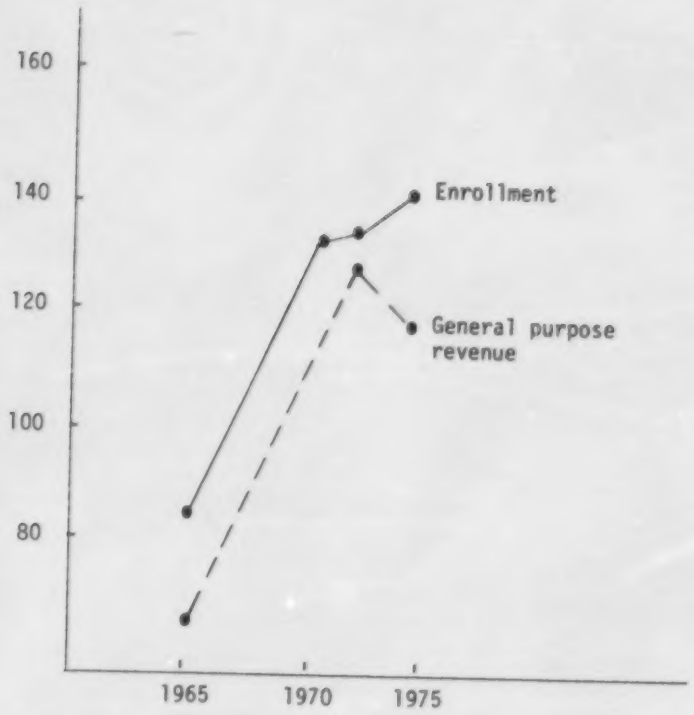
approval. It can transfer funds among the program classifications without such prior approval but must report such transfers quarterly.

The General Program Operations appropriation is built through the addition or deletion of dollars to the base budget levels. Executive and legislative decisions modifying the existing budget level are ordinarily associated with specific intentions that particular programs will be reduced, expanded, or otherwise modified. Occasionally controlling language is added to the budget to mandate these changes. The governor may veto particular words or lines, but cannot reduce dollar amounts within appropriation lines.

STATE LEVEL PROCEDURES AND CRITERIA

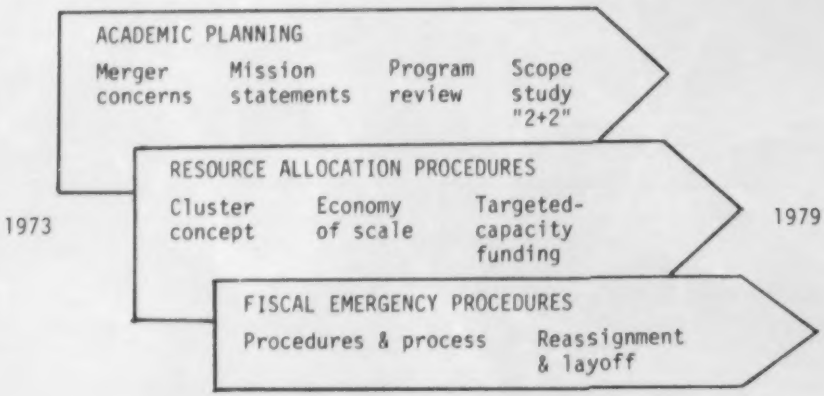
Retrenchment criteria and procedures at the state level in Wisconsin are largely those developed by the university system. Dollar reductions have been specified by the state, sometimes in general terms like "productivity savings" and sometimes in campus-specific (e.g., enrollment funding) or program-specific ways. In gross terms, the impact of retrenchment--actual and projected--can be portrayed by selected financial and enrollment data for the past ten years:[2]

University of Wisconsin Head-Count Enrollments and General Purpose Revenue Appropriations (in 1953 dollars) 1965-1975*



*Students in thousands, dollars in millions. Appropriations exclude fringe benefits.

Summarizing the criteria and procedures developed over the past three years and applicable to the next three or four is difficult. Rather than attempting a detailed chronology, discussion here centers on three closely interrelated aspects of retrenchment. Schematically, these three aspects are:



Academic Planning

Merger Concerns. The 1971 merger legislation combined the campuses of two multicampus systems:

Campus Types	University of Wisconsin (UW)	Wisconsin State University (WSU)	Total
Doctoral	2	None	2
Four-year	2	9	11
Two-year	10	4	14
Total campuses	14	13	27
Statewide University Extension	1	-	1

That 1971 legislation was not final, however. It required that, pending a final "merger bill," the two systems would initially be administered separately under then existing statutes, albeit under a unified governing board and central staff. In effect, the system began unified administrative operation immediately. Final merger legislation was not enacted until 1974. In the interim--during the initial phases of retrenchment--the university system was faced with both historical and statutory differences among its campuses. Six differences appear most relevant here: 1) Enrollment shortfalls causing reduced state funding occurred only at five former WSU campuses; 2) Statutory tenure provisions in the former WSU campuses had been relatively liberal, and after the growth of the 1960's a

number of departments were 100 percent tenured; 3) Statutory tenure in the former WSU system was systemwide rather than at a particular campus; 4) Two relatively new campuses of the former UW system--Green Bay and Parkside--were funded at a higher level than the former WSU campuses, in part because of "start-up" costs; 5) The active faculty organization in the former WSU system was a systemwide faculty association with considerable variation in the formal campus faculty governance structure and level of activity--in contrast, the former UW system had a systemwide faculty senate with strong campus bases and a tradition of faculty participation in campus governance; and 6) Statutory provisions governing the former WSU campuses did not cover "fiscal exigency" or faculty layoffs, but only "termination" for cause.

Mission Statements. The first major result of academic planning in the newly-merged system was the 1974 *Mission Statement.*[3] Developed through extensive public hearings throughout the state, it set out the missions for the system, each cluster, and each campus. Two campuses, Madison and Milwaukee, were designated as doctoral and research institutions. Other campuses were given more limited program entitlements. Two campuses were given "special missions" which permeate the total undergraduate curriculum--Green Bay in environmental studies, and Stout

(Menomonie) in technology. Two other campuses--Eau Claire and Oshkosh--were designated as regional graduate centers for concentrating more extended masters' program offerings rather than allow all university cluster campuses an open-ended entitlement for graduate programming. (Further development of academic planning mechanisms such as regional consortia may lead to modification of the regional graduate center concept.)

Program Review. Concurrently with the development of the *Mission*, a systemwide review of masters' programs resulted in the termination of 51 such programs and the decision to have subsequent reviews on a regional basis of 60 others. In addition and slightly later, nine system task forces undertook in-depth studies of specific disciplinary areas across all campuses and levels of instruction (e.g., agriculture, business administration, etc.).

Scope Study and the "2+2" Plan. By early 1975, program evaluation and campus academic planning were about to culminate in a systemwide long-range plan. In January 1975, however, the governor, noting the fiscal stringency facing the state as a whole, asked the governing board to address "forthrightly the question of how the university system can best reduce the scope of its institutions and programs." He requested:

> By April 15, 1975, I ask that the Board of Regents bring to my office and the Legislature a plan for phasing out, phasing down, or consolidating institutions and programs, including a statement of language to be inserted into the 1975-77 biennial budget which would authorize implementation of the plan.[4]

The President's Report of April 18, 1975, responding to the governor's request was based on an almost unprecedented effort by over 50 faculty members, administrators, board members, and students organized into four committees in the primary task force and a separate subtask force dealing with the fiscal and economic impact of "phasing out, phasing down, or consolidating." Additional faculty, staff, and students were involved in campus liaison groups.

The report and its voluminous back-up papers contained detailed procedures and criteria for retrenchment. For example, as summarized in the President's Report, the criteria for phase-down or phase-out reducing the scope of campuses in the "university cluster" are:

> 1. *Effect on access to educational opportunity for Wisconsin residents.* Phase down or phase out is less undesirable for institutions serving fewer Wisconsin residents within commuting range of the institutions.

2. *Relationship to projected enrollments based on demographic trends.* Phase down or phase out is less undesirable for institutions faced with declining commuter-based demand than for institutions in areas of projected expanding commuter demand.

3. *Cost-size relationships and projected relationships.* Phase down or phase out is less undesirable for institutions whose costs or projected costs are more than 20 percent above the Cluster average.

4. *Relationship to intellectual, cultural, and economic vitality of the region.* Phase down or phase out is less undesirable for institutions whose loss would least affect the intellectual, cultural, and economic vitality of the region.

5. *Relationship to Statewide System Planning.* Phase down or phase out would be less undesirable for institutions with fewer educationally unique program elements, services, and innovations responsive to System and societal long-range needs.

6. *Relationship to needs of special populations.* Phase down or phase out decisions would be less undesirable for institutions whose loss would affect less the opportunities of populations previously disadvantaged in their search for educational opportunity (e.g., minorities, women).[5]

The report also proposed a "2+2 Planning/Budget Cycle" under which the university system would submit biennially a budget proposal covering a four-year rolling-base period, and including campus-by-campus enrollment targets by level and program mix. The governor and legislature would deal with the budget request by identifying two years *certain* and an additional

two years *tentative* budget authorizations for fixed-cost and enrollment increases. The report stated:

> The University System understands that no legislature can commit funding for more than two years, nor can the state any more than the University System be free from such fiscal crises as may flow from an event such as the current recession. . . . Nevertheless, it is possible to normalize the basis for resource expectations on the part of the System by projecting the policy bases for such expectations on a four-year front /p.16/.[6]

The report appeared to be well-accepted by the legislature. However, the university system is still faced with immediate fiscal problems, and it is not clear whether the state will change its fiscal priorities. These may be resolved in a more predictable context than is available in other states, because of policies adopted by the system.

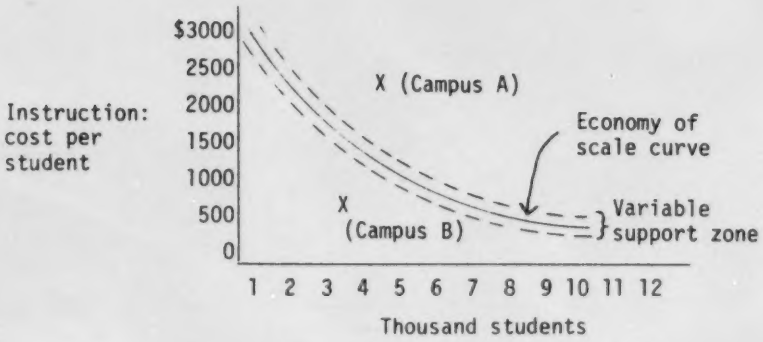
Resource Allocation Procedures

Cluster Concept. The merger in 1971 brought with it the need for a concept to guide equitable treatment of campuses with diverse histories, missions, and aspirations. The initial concept of "organizational clusters" adopted by the governing board in 1972 has remained the overarching rationale. As noted above, campuses are grouped by functional type, and academic

policy and funding are generally applicable to the group. Initially, it served to contain the still lingering doctoral aspirations of several four-year campuses. Within the university cluster of 11 four-year campuses, however, it became quickly apparent that "equity" required campus-by-campus adjustments.

Economy of Scale. In preparing for the 1973-75 biennium, the concepts of "economy of scale curves" and "variable support zone" were developed and utilized to establish a support range within the university cluster. Existing costs of instruction and academic support were separately plotted against enrollment for the 11 campuses, and a curve approximating the average was drawn. The "variable support zone" was plotted as on a range $50 either side of the curve. The simplified graph below illustrates the curve and zone with the plots of only two of the 11 campuses shown.

Economy of Scale Curve; Variable Support Zone



Based on these concepts, funding for campus "A" would be reduced over a three-to-four-year period until it was within the "variable support zone." Similarly, funding for campus "B" would be increased. The concept was refined a year later by separating student services from academic support, by reducing the range of the variable support zones, and by denying additional enrollment funding to campuses above the variable support zones. While not used, additional refinements based on major disciplinary groups were explored. The economy-of-scale curve procedures were considered interim and developmental, with final procedures awaiting on the refinements in the supporting central information system.

Targeted Capacity Funding. A second procedure, applicable to all campuses, was developed in early 1975 when the governor's 1975-77 budget proposals (a) denied funding for additional enrollment, (b) required productivity savings greater than had been initially indicated, and (c) denied any inflationary erosion offsets. These three factors required further base-budget retrenchment and the new allocation procedures for "distributing the pain" was guided by a "composite support index" (CSI) which reflected the relative enrollment support capacity of each residential campus. Campus differences in programming, level, and discipline were recognized in composite by weighting student credit hours. Enrollment targets, derived from evaluations of this composite index, were set for 1975-76 and 1976-77 and served to guide new students away from campuses whose CSI was low (i.e., more saturated) to those campuses which enjoyed a relatively higher CSI. A simplified extract from a system policy paper[7] illustrates the concepts and their application in the case of three campuses for the first year of the biennium.

"Composite Support Index" (WSCH* in thousands)

Institution	1974-75 (Actual) WSCH	1974-75 (Actual) Cost/WSCH (CSI)	1975-76 (Targeted) WSCH	1975-76 (Targeted) Cost/WSCH (CSI)
Oshkosh	360	$41.75	366	$39.70
Eau Claire	338	36.36	334	37.62
Parkside	128	54.49	137	48.44

*Wisconsin Student Credit Hours.

Assuming level funding, the targeted enrollments for 1975-76 would result in lower support for Parkside and slightly higher support at Eau Claire. In fact, the cost projections (i.e., Cost/WSCH) included the differential allocation of an overall $1.6 million "productivity" cut recommended in the governor's budget. This is illustrated by the same three campuses:

1975-76 Differential Allocation (in thousands)

Institution	Prorated 1.5% cut	Adjust-ments	Net reduction
Oshkosh	-228	+70	-158
Eau Claire	-210	+260	+50
Parkside	-113	-230	-343
Balance of University Cluster	-1078	-100	-1178
Total	-1629	-	-1629

The $1.6 million "productivity" cut was allocated selectively upon the basis of explicitly stated academic planning principles. Larger than average reductions were allocated to four campuses, including Parkside. From these funds, substantial relief was given to Eau Claire and the effect of the cut was mitigated for Oshkosh and one other campus. Extracts from more detailed justifications explain differential cuts for the three campuses:

> *Oshkosh:* UW-Oshkosh must contribute a substantial portion of its share of the productivity forced savings but not be asked to trim further its composite support index, second highest among the larger Institutions in the University Cluster. . . . The faculty and students are looking for tangible evidence that the System is backing their very considerable efforts to move to a new university model. To give substance to Academic Affairs endorsement of the Oshkosh plan, the recommendation is made that the University receive relief in the form of a $70,000 adjustment to the proportionate productivity cut for the express purpose of aiding implementation of the all-University academic calendar plan.[8]
>
> *Eau Claire:* The need to supply some relief for UW-Eau Claire was based on the fact that this University now has the lowest composite support index in the University Cluster; has maintained an effective program with wide student appeal despite extraordinary budgetary pressure; but clearly cannot absorb further retrenchment without irreparable damage to its quality.[9]
>
> *Parkside:* UW-Parkside presents a complex situation. Operating in essentially a traditional liberal arts curricular mode, with direct instructional costs comparable to other smaller Institutions in the Cluster, it is only the disproportionate high costs

> of academic and student services, and general operations at UW-Parkside, which drive up its composite support index to a problematic level. The University has achieved notable success in its library, media and computer center supporting operations. It is to be hoped that these achievements, due in part to start-up funding and in which the University takes justifiable pride, will remain as quality supporting programs given the limitations of a decreased ongoing support budget. The University is assigned its share of the productivity cut based on its 1974-75 base budget and an additional amount to realign downward its composite support index.[10]

A more recent refinement of the composite support index takes into account situations like that at the Parkside campus where headcount enrollment is substantially greater than full-time-equivalent enrollment, and it affords a form of weighting to recognize the additional processing and counseling workload required.

FISCAL EMERGENCY PROCEDURES

"Productivity" cuts for the 1973-75 biennium resulted in the lay-off or termination of almost 500 nontenured employees, faculty, and staff; and 88 tenured faculty members under "fiscal emergency" procedures. Additional faculty dislocations may be required in the 1975-77 biennium. Two aspects of faculty retrenchment procedures and criteria are briefly discussed: 1) the procedures and process for determining and operating under a fiscal emergency, and 2) the options possible for dislocated faculty.

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Procedures and Process. A fiscal emergency at a campus will exist when the governing board, upon the recommendations of the campus and system chief executive officers, determines either: 1) that a campus cannot achieve its mission within projected resources without reassignment or layoff of tenured faculty, or 2) that a subunit of a campus cannot maintain a defensible workload because of enrollment declines. A written report of the appropriate faculty committee at the campus is required prior to such determination.[11] An excerpt from a request for emergency status in 1975-76 is illustrative:

> *The University of Wisconsin-Stevens Point finds it necessary to declare a fiscal emergency for 1975-76.* Even though the total base budget at Stevens Point shows an increase of $34,000 for 1975-76 compared to 1974-75, the loss of the expected 1974-75 fiscal relief in the amount of $197,000 heightens the budget problem facing the University in 1975-76. This coupled with the disproportionate reduction in the non-teaching faculty areas in 1974-75, the general decline in enrollment and the changing student demand for courses will cause the Department of History to be overstaffed by *six* teaching tenured faculty and the Department of Geography and Geology to be overstaffed by *five* teaching tenured faculty. Due to changes in course demand, the Departments of English, Political Science, Mathematics and Computer Science, Physics and Astronomy, Chemistry, Foreign Language and Comparative Literature, and School of Education, and the School of Communicative Disorders, face possible reductions of tenured teaching faculty. In each of these instances, applying current workload standards, an overstaffing situation will result.[12]

Upon governing board approval, the campus chief executive officer issues a formal notice to affected campus constituencies, including the basic information supporting the fiscal emergency and the board's approval. He advises each campus subunit of its projected resources and of the process for determining the individuals to be affected by the emergency. University regulations place the burden of designating specific individuals for layoff or reassignment directly on the faculty:

> Once the board has declared a state of financial emergency it shall be the primary responsibility of the tenured members of the affected department(s) to recommend which individuals are to be laid off.[13]

Faculty at each campus are to determine, for example, for the campus as a whole whether layoff or reassignment of tenured faculty shall be by seniority without regard to rank or according to it, and, if according to rank, then whether by years of service at that rank or total years of service within the institution.

The scope of the present study does not permit a more detailed analysis of the 12 pages of regulations which detail notice to the affected individuals, hearing, and review--including review by a governing board committee. Current

procedures are built upon system experience in 1973-74 when less-refined procedures withstood the challenge of litigation.

Reassignment and Layoff. At the onset of the 1973-74 retrenchment, procedures spoke of the "termination" of faculty--in large part because this was the language of the applicable statute. Acting within its own authority, the governing board quickly changed the term to "layoff" to avoid pejorative connotations and to indicate more accurately the status of the individuals. Current practice generally uses "reassignment and layoff" to encompass the options available to dislocated faculty. In summary, there are four options.

> *Layoff status* is the required designation if none of the others are elected. The individual remains in his current position, and if continuing funding is not available is laid off after one year.
>
> *Relocation leave* may be elected to allow the opportunity for relocation or retraining *outside* the system. Salary is continued for one year, but a resignation effective after one year is required.
>
> *Reassignment/layoff status* may be elected to allow the opportunity for reassignment, relocation, or retraining *within* the system. If continuing funding is not available, the individual is laid off at the end of the year.
>
> *Reassignment status* is available *if* the campus can assure two years' funding for the individual. It is similar to reassignment/layoff status, and if continuing funding is not available after the first year, the individual's status is changed to reassignment/layoff.

The current options were developed to avoid the individual and institutional difficulties encountered in 1973-74 when dislocated faculty members were continued "in place." In part, these difficulties were unavoidable because of a late budget, but they were also attributable to lack of experience. The hope that individuals in one or the other form of reassignment status would achieve continuing positions has faltered as fiscal stringency tightened. However, there are examples of successful relocation and reassignment such as two mathematicians who moved from one campus to another, an English teacher who was reassigned to the library on the same campus, or the historian who is teaching his secondary specialty after relocating to another institution in the system.

INSTITUTIONAL PROCEDURES AND CRITERIA

At the inception of the 1973-75 retrenchment, the "productivity" cut assigned to the system was allocated to the campuses on an across-the-board basis. Information procedures in the newly merged system were not sufficient to justify allocation on any other basis. The allocation was of a lump-sum, and the campuses were explicitly advised that the system had "not sought to define centrally the criteria and procedures which must be used in decisions, since this is properly a matter for" campus determination.[14] Some campuses allocated cuts

evenly across-the-board. Others concentrated reductions in nonpersonnel areas such as physical plant, supplies and expense, and libraries. In part, campuses in the latter category were forced into such concentration because of the lack of time to provide appropriate layoff notices.

The policy of the University of Wisconsin System to protect the diversity and autonomy of its constituent campuses continues. A 1975 policy paper states:

> The System will always have some differences based on mission differentiation; should strive to avoid the destruction of planned differentials achieved; and should avoid erosion of the established mission capability of any Institution by formulary budget cuts.[15]

POSTSCRIPT: SPRING 1976

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In late summer 1975 the state auditor, head of the Legislative Audit Bureau (LAB), declared his intention to initiate an "academic program audit" within the university system. The LAB initiative was a new manifestation of the retrenchment/accountability/performance syndrome in Wisconsin. It came, however, at the very time legislators were publicly acknowledging the fact that state retrenchment efforts had been particularly intensive for the university system, and perhaps the time had come to allow the system to come to terms with its new budgetary diet without imposing additional retrenchment and more studies, regulations, and requirements.

In November the state auditor issued a memorandum to the university system setting forth his plans for a "survey" of *system-level* academic management procedures as a *possible* prelude to an audit of one or more academic programs. The system posed no objection to an inspection of *its* academic planning and program review procedures or of *its* ongoing program audit and review procedure. The line was drawn most clearly by the Board of Regents in February when they asked the state auditor to appear

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before them to explain the purpose of the survey and his intention regarding subsequent audits of individual academic programs.

There is no way to capture the essence of the exchange that took place at the February meeting (the transcript went through several printings!). Perhaps it will suffice to say that the Board of Regents, after hearing the state auditor's views, passed a resolution directing its employees *not* to cooperate further in any LAB effort to implement an audit of *individual academic programs*. This occurred three days prior to the time when the legislature's Joint Finance Committee was due to take testimony on a special university system "annual review" budget request. The newspapers had the predictable field day. Some legislators reading early media accounts suggesting that the regents had refused *all* future audits (including the normal fiscal variety) by LAB, started issuing press releases and statements with dire predictions as to the system's budget prospects.

A meeting was hurriedly arranged between key regents and key legislators just 30 minutes prior to the budget hearing.

(Postscript: Spring 1976)

When it became clear that the regents were not objecting to normal fiscal audit activities of LAB and that the "survey" of *system-level* academic management procedures was continuing, the tempest subsided. The Joint Finance Committee and full legislature subsequently voted favorably on a variety of university requests including an additional one percent faculty salary increase, additional staff position authorizations, $7.2 million for utilities cost increases, a mini-sabbatical program and funding for a few other special needs.

As of this writing, the LAB "survey" is proceeding with full involvement of a faculty-administrator committee every step of the way; clear protocols have been established for regent and legislative discussions before *any* audit of an academic program is considered. The above-mentioned annual review budget bill includes an amendment which explicitly *precludes* the Legislative Audit Bureau from:

> . . . examining issues related to academic freedom within the University of Wisconsin System. A post audit shall not examine into or comment upon the content of various academic programs, including degree requirements, majors, curriculum or courses within the University of Wisconsin System, nor shall any such post audit examine into the manner in which individual faculty or groups of faculty members conduct their instructional, research, or public service activities.

(Postscript: Spring 1976)

In the budget planning arena, the university system moved in the late fall and early winter of 1975 (in keeping with the Scope Report mentioned in the case study and with statutory language calling for enrollment targets and 2+2 planning) to have each campus specify the number of students it could "reputably teach" with the budget resources available to it for fall 1976.

The end product of this complex undertaking took the form of Annual Budget Policy Paper #4.0 approved by the regents in March 1976. Paper #4.0 confirmed campus-specified figures under the headings "target capacity" and "transitional targets." The latter were necessary where time was needed to phase down to the ultimate target. All of this occurred at a time when the requests for admissions to UW campuses were running 100-250 percent ahead of the prior year's rate.

Shortly after the announcement of the targets, the legislature's Joint Finance Committee acted to release a modest enrollment funding escrow account held back for 1976-77 while a special legislative Study Committee took another look at the perennial question of intercampus program support differences.

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The Study Committee had spent four months examining the resource allocation policies and practices of the UW System and critically assessing the Composite Support Index methodology of determining relative budgetary support among campuses. The committee endorsed the CSI as a more adequate methodology than had existed previously, urged further refinement, and recommended that the parent Joint Finance Committee release some $560,000 in escrowed enrollment funds. The funding will be used to increase 1976-77 target capacities on two or three campuses.

In fall 1975 the regents also presented a 2+2 planning prospectus to the governor indicating the kinds of planning assumptions state government must provide if the system was to accomplish the 2+2 planning effort required by the statutes. The governor referred the document to his staff and discussions are still going on on the eve of the 1977-79 biennial budget development process in Wisconsin. There are indications that the assumptions will be provided and that a beginning move toward a more stabilized planning and programming environment can be made. The Board of Regents, in March 1976, adopted the first in a series of 2+2 (four-year) academic/fiscal guidelines for academic and budget planning and development efforts.

(Postscript: Spring 1976)

Refinement of Enrollment Target Capacity Process

The most significant development to occur in preparation for the 1976-77 system annual budget was the regent approved policy paper, *1976-77 Enrollment Target Capacities and Stabilized Resource Pattern* (March, 1976). Unlike the preceding year (the first of the 1975-77 biennium) the state fiscal policies were known in advance and permitted a degree of lead time in planning for the annual budget. In February 1975 the regents approved an interim budget policy for 1975-76 which established environment targets for all institutions and enrollment ceilings for four campuses, ". . . which by CSI calculations were least able to accept additional students and still sustain a quality safeguarded level of instruction."

The 1976-77 annual budget preparation was guided by a series of budget planning memoranda designed to initiate enrollment target setting efforts at the institutional level.

An October 1975 memo, entitled *Developing the Annual Budget in Transition to the First Four-Year (2+2) Planning/Budget Cycle* asked each chancellor, in cooperation with faculty and staff, to conduct an institutional assessment to:

(Postscript: Spring 1976)

- Determine the number of students that could be reputably taught, taking into account all aspects of instruction and academic support programs, with the projected 1976-77 budget resources.
- Examine possible enrollment shifts and related personnel actions.
- Examine workload patterns and flexibility of faculty resources.
- Examine transfer experience and the need to maintain access for Center System transfers and maintain transfer access to unique institutional programs.
- Evaluate the impact of inflationary erosion (10 percent per year).
- Determine the need to redress the effects of recent base budget reductions and fiscal emergencies (e.g., deferred plant maintenance, low stocks of critical supplies, etc.).

Upon completion of the assessment, the institutions were asked to propose a 1976-77 enrollment target, in terms of student credit hours (SCH), and be prepared to document the quality threshold judgment and criteria supporting their proposals, taking into account instructional costs, class size, student/faculty ratios, SCH per FTE faculty member, etc., and the adjusted Composite Support Index.

(Postscript: Spring 1976)

In December 1975 the campuses were asked to submit the following projections on the basis of institutional planning efforts.

- *reputable enrollment target*, defined in terms of student level and mix and budget resources. This projection is to become the institution's "target capacity" and represents a workload consistent with quality-safeguarded teaching through time in all programs.

- *transitional enrollment target*, this figure constitutes a recognition that a transitional target will be necessary where institutions are not able to shape the 1976-77 workload to the targeted level and mix given the profile of students currently enrolled or other factors which will require phased adjustments.

- *free market enrollment projection*, represents the number and mix of students anticipated in a "free market" with no fiscal constraints.

The establishment of target capacities is an effort to achieve a climate of relative resource stability for the institutions of the University of Wisconsin System.

While budget pressures have constrained the resources of the system, homogenization of programs and unit costs was rejected as a desirable or tenable goal. The board reaffirmed its declaration of 1975-76:

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The charter Statute and the System and Institutions' mission statements mandate diversity and differentiation. The System will always have some differences in cost and quality and it must seek to avoid erosion of established mission capability and related student demand by formulary budget reductions. Moreover, it must always be ready to make investments in particular programs with high unit costs, but which are cost effective in the sense of producing increments to the achievements of the System which more than justify the investments.

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